HMRC - OT12725 - PRT: Supplement - Loss Following Net Profit Period

FA81\S113

On occasion, a participator might reach its net profit period (NPP) but because of low incomings (e.g. no liftings, shut down to install a pipeline) or heavy expenditure, it may incur losses in subsequent periods.

FA81\S113 provides that where, in any chargeable period ending not later than three years from the end of the net profit period, the participator reverts to a position of cumulative loss, supplement can be allowed on qualifying expenditure which is incurred up to the end of either

the chargeable period in which a cumulative net profit next arises from the field or

the last chargeable period in the three years following the end of the original (or recalculated, see OT12700) NPP

whichever is earlier.

The cumulative loss for the purpose of FA81\S113 is arrived at by comparing total allowable losses with total assessable profits (before losses and oil allowance). There is no provision comparable to FA81\S111(4) enabling any recalculation to be made on account of expenditure incurred after the end of the NPP but not yet allowed.

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