HMRC - OT13040 - Allowances - How It Works

The basic scheme of cross field allowance is that where expenditure incurred in the ‘the field of origin’ (which is ‘a relevant new field’),

has been incurred by a participator or, if that participator is a company, by an ‘associated’ company, FA87\S65(2)(a), and

is allowable under OTA75\S3, OTA75\S4 or OTA83\S3, FA87\S65(2)(b) and

has been allowed as qualifying for supplement in the field of origin (see OT12025), FA87\S65(2)(c) and

is not exploration and appraisal expenditure within OTA75\S5A, FA87\S65(2)(d) (see OT13975)

that expenditure may, on election, be claimed by that participator in another field (the ‘receiving field’).

The amount that may be transferred is limited to 10% of the eligible expenditure, FA87\S65(1). Under FA87\S65(4), the transferred expenditure loses its character as supplement in the receiving field and pays no part in the calculation of the net profit period (see OT12650) or the safeguard capital base (see OT17550). Nor does it affect the calculation of the 5% provisional allowance (see OT14300) [note 1]. However, it is taken into account in the safeguard computation when determining the participator’s adjusted profit (see OT17550). The amount in question is not available for relief in the field of origin nor does it feature in the safeguard capital base of that field, FA87\S65(5).

A participator may not make an election in respect of expenditure incurred before the date which is its ‘qualifying date’ (see OT13825) in relation to the receiving field, unless the date falls before the end of its first chargeable period in that field, FA87\S65(3).

‘Associated’ company is defined in FA87\SCH14\PARA10.

Note: Provisional Expenditure allowance was abolished with effect from 1 July 2009 by FA 2009.

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