HMRC - OT13060 - Allowances - Procedures

The rules for making cross field allowance (CFA) elections are set out in FA87\SCH14. A CFA election is irrevocable and should be made on form PRT 65 which asks for the statutory details set out in FA87\SCH14\PARA1. A separate form is needed for each associated company making such an election.

Elections can be made only after a final decision as to whether to allow expenditure as qualifying for supplement has been made (either by decision or appeal) and are valid only after the field of origin has been determined (see OT01007) Elections can be made for any decided claim before the expenditure in question is used in an assessment on the field of origin (or thirty days after allowance of the expenditure on appeal if this is later).

Inspectors should bear this time constraint in mind when making decisions on claims likely to involve a CFA election so as to allow participators the opportunity to make such an election before the issuing of an assessment on the field of origin. They will endeavour to make decisions on potential CFA claims at least thirty days before the issue of an assessment in the field of origin that would include those losses. If this is not possible Inspectors will contact the participator or Responsible Person direct.

Two or more elections are possible for the same amount of expenditure but if the aggregate amount would exceed the 10% limit the second or subsequent will be ineffective to the extent that it exceeds 10%.

Generally, the agreed CFA will be given in the first assessment on the receiving field made after the date of an election.

Notices of variation

FA87\SCH14\PARAS11-12 provide detailed rules which apply whenever a notice of decision in the field of origin, which has already been taken into account in an election, is varied in accordance with OTA75\SCH5\PARA9 (see OT04750), thereby reducing or increasing the amount of the expenditure in question.

If the result of the variation is that expenditure originally allowed in the receiving field exceeds 10% of the reduced expenditure qualifying for supplement in the field of origin, the elected amount or amounts should be reduced accordingly - FA87\SCH14\PARA11.

FA87\SCH14\PARA11(4) provides that any necessary consequential amendments of assessments or determinations, relating either to the field of origin or the receiving field, should be made.

If the variation has the effect of increasing the amount of expenditure allowed as qualifying for supplement in the field of origin, then FA87\SCH14\PARA12 applies and permits a separate election to be made in respect of the increased expenditure. Such an election may be made at any time before

the participator or its associated company is given notice of the amended assessment which takes into account the notice of variation (not the original decision) has been issued or, if later,

the expiry of the period of thirty days beginning on the date on which the notice of variation becomes effective.

The expenditure allowable in the receiving field as a result of this election should be taken into account in the assessment or determination which is first made on the participator after the date of the claim decision to which the notice of variation relates.

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