HMRC - OT13950 - PRT: Non-Field Expenditure - Abortive Exploration Expenditure: Basic Conditions

OTA75\S5(1)

Because there is no time limit to the making of claims under OTA75\SCH7, it is still possible for a participator to make a claim for expenditure incurred on abortive exploration on or after 1 January 1960 and before 16 March 1983. Allowable expenditure will include such things as the cost of shooting preliminary seismic surveys and their interpretation, drilling, supplies and well testing.

There are a number of conditions, all of which must be satisfied for abortive exploration expenditure to be allowable.

The expenditure must have been incurred by the participator making the claim under OTA75\SCH7 or by a company associated with the participator in respect of the expenditure (see OT13810),

the expenditure must relate wholly and exclusively to exploration for oil in the UK, the territorial sea thereof or a ‘designated area’ (broadly this covers onshore exploration and exploration on the UK continental shelf - see OT13940 on ‘designated areas’)

and it must be expenditure which is not, and is unlikely to become, allowable for any oil field (see OT13960).

For special treatment of

expenditure on ‘long-term assets’, see OT13840

expenditure giving rise to receipts, see OT13850 (receipts pre 16 March 1983) and OT13860 (receipts on or after 16 March 1983)

non-arm’s length transactions, see OT13925.

And for provisions relating to

specifically disallowable categories of expenditure, see OT09450

the prevention of double allowance, see OT13790

the submission of claims, see OT13775

No supplement is available on abortive exploration expenditure.

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