HMRC - OT13975 - Non-Field Expenditure - Exploration And Appraisal Expenditure: Basic Conditions

OTA75\S5A

Relief for exploration and appraisal (E&A) expenditure incurred between 15 March 1983 and (subject to certain transitional provisions, see OT14040) 15 March 1993 is less restrictive than the relief for abortive exploration expenditure, see OT13950.

The basic conditions, all of which must apply, are that

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 one or more of the qualifying purposes set out in OTA75\S5A(2), namely

\* searching for oil in the territorial sea of the UK or a ‘designated area’ (see [OT13940](https://www.gov.uk/hmrc-internal-manuals/oil-taxation-manual/ot13940)) (and onshore in the UK, for expenditure incurred on or before 31 March 1986, see OT14025) \* ascertaining the extent or characteristics of any oil-bearing area of the UK or a ‘designated area’ (and onshore in the UK, again for expenditure incurred on or before 31 March 1986) \* ascertaining the reserves of oil of any such oil-bearing area \* making any payment to the Secretary of State under, or for the purpose of, obtaining a licence, other than a payment by way of royalty or other periodic payment, see OT14010.

at the time the expenditure is incurred it must not relate to a field for which a development decision (see below) has been made, see OT13990.

See OT14000 for further detail on searching and ascertaining.

Development decision

A development decision is made when consent for development is granted by the Secretary of State or a programme of development is served on the licensee or approved by the Secretary of State for the whole, or part of a field, OTA75\S5A(7).

By virtue of OTA75\S5A(8), if the expenditure in question is incurred at a time when the area to which it relates has not been determined as an oil field, but a notice of proposed determination has been given, the area is treated as having become an oil field at the time of the notice if, when the final determination is made, the area is included in the field.

Special rules

For special treatment of

expenditure on ‘long-term assets’, see OT13840

expenditure giving rise to receipts, see OT13860 (including receipts from ‘extended production tests’, see OT13900)

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 for E&A expenditure.

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