HMRC - OT14125 - PRT: Non-Field Expenditure - Research Expenditure: Basic Conditions

OTA75\S5B

In order for the expenditure to qualify for relief under OTA75\S5B(1) the research must

have been incurred on or after 17 March 1987 by the claimant,

not have become allowable under OTA75\S3 or OTA75\S4 or under OTA83\S3 within three years from the date of being incurred,

not have been incurred for purposes relating to a particular field,

not have been incurred wholly and exclusively for one or more of the OTA75\S5A(2) purposes (exploration and appraisal (E&A)relief, see below)

have been incurred for the purpose of research of such a description that, if it had been incurred by a participator in relation to a field, would have been allowable for that field under OTA75\S3 or OTA75\S4 or under OTA83\S3 and

have been incurred wholly or partly for UK purposes (see below).

Exploration & Appraisal (E&A), OTA75\S5B(2)

For this purpose only, expenditure eligible under OTA75\S5A is deemed also to include UK onshore exploration and appraisal expenditure (which therefore does not qualify for research allowances).

Wholly or partly for UK purposes, OTA75\S5B(3)-(4)

Where incurred partly for UK and partly for other purposes a just and reasonable apportionment should be made in order to arrive at the proportion attributable to ‘UK purposes’.

‘UK purposes’ means purposes relating to the United Kingdom, the territorial sea or ‘designated areas’, but excluding areas deemed as designated under FA80\S107(3)(b) (non- UK sector portions of transmedian fields, see also OT13940).

Further conditions for relief

OTA75\S5B(5)-(6) also state that expenditure is not allowable

to the extent that it has been allowed under OTA75\SCHS5-7 for or in connection with a field, OTA75\5B(5),

to the extent that it is reasonable to assume that it has been incurred in connection with excluded oil (or exempt gas) within the meaning of OTA75\S10(1) (see OT13210), OTA75\5B(6)

and to the extent it is incurred for purposes relating to non-taxable fields (see OT), OTA75\5B(6)

Other rules

Special rules relating to the treatment of

‘long-term assets’, see OT13840

receipts, see OT13860

and non-arm’s length transactions, see OT13925

are applied to the research expenditure provisions by virtue of OTA75\S5(7) (‘long-term assets’ and disposals) and OTA75\S5B(8) (non-arm’s length transactions).

See OT13775 regarding the submission of claims under OTA75\SCH7.

See OT14140 on the absence of an associated company test.

No supplement is allowable on claims for research expenditure.

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