HMRC - OT14350 - Allowance - Clawback

The 5% allowance is provisional and OTA75\S2(8) prescribes a clawback of the relief given. Subject to additional rules in OTA75\S2(10), any provisional expenditure allowance given in a particular chargeable period is clawed back in the next but one chargeable period.

OTA75\S2(10) modifies this basic rule in two ways. Under OTA75\S2(10)(a), where expenditure allowed in a chargeable period was incurred in the immediately preceding period and provisional allowance was given in that period, a further adjustment is required.

The clawback in the computation of any 5% provisional allowance given in the last but one previous chargeable period will be increased by an amount equal to

the expenditure now allowed which was incurred in respect of the immediately preceding chargeable period or

the 5% provisional allowance of the immediately preceding chargeable period,

whichever is the lower figure.

But, under OTA75\S2(10)(b), the clawback of provisional allowance given for the last but one chargeable period is reduced by the equivalent amount of any OTA75\S2(10)(a) increase made in the assessment for the immediately preceding chargeable period.

Provisional expenditure allowance and transfers of licence interests, see OT18090.

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