HMRC - OT15240 - Receipts - Cessation Of Field Or Tariff Use

There are special rules dealing with the situation

where an asset ceases to be used at all, and

for when a dedicated mobile asset ceases to be used except for use giving rise to tariffs from third parties.

Disposal of Asset after Cessation of Field or Tariff Use, OTA83\S7(4)

There is no charge on disposal proceeds when the disposal of the asset takes place more than two years after the latest of the following events:

the asset ceases to be used in connection with any field whatsoever or

the asset ceases to give rise to tariff receipts of the participator or

the asset ceases to give rise to tax-exempt tariffing receipts (OT15820) of the participator.

For this provision to apply, all field use and tariffing must have ceased including use or tariffing in non-taxable fields. If an asset ceases to be used in connection with a taxable field but it continues - or is expected - to be used elsewhere, and there is no disposal giving rise to disposal receipts, a reduction of the amount of the expenditure allowed on the asset may be required in the form of deemed disposal receipts under OTA83\Sch1\Para8, see OT11600.

Dedicated Mobile Assets OTA83\Sch2\Para8

This paragraph applies when a dedicated mobile asset (see OT11150) has ceased to be used in connection with any field in which the participator (or a connected person, see OT15580) is a participator and tariffs continue to arise from the asset. Tariffs that are received or receivable later than two years after the end of the chargeable period in which the cessation of use occurred, and which relate to use of the asset after the two-year period, are excluded from a participator’s chargeable tariff receipts.

Deemed disposal receipts under OTA83\Sch1\Para8 (see OT11600) may arise once the tariffs cease to be chargeable.

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