HMRC - OT15500 - Receipts - Use By Connected Or Associated Person Under Avoidance Scheme

OTA83\Sch2\Para11

If a person who is not a participator in any taxable field has the right to receive payment for the use of an asset, the receipt is not normally chargeable to PRT. OTA83\SchH2\Para11 however brings the receipt into charge where

a person connected (see OT15580) or ‘associated’ (see below) with the recipient uses or has used the asset in connection with a taxable field

the user is a participator in that or any other taxable field and

the receipt arises under arrangements the main purpose (or one of the main purposes) of which is the avoidance of PRT or CT.

When this paragraph applies, all receipts arising from the use of the asset received or receivable by the person entitled to receive the payment (or associates or connected persons) are treated as receipts of the user with the exception of any amounts receivable by the recipient from the user.

A reasonable proportion of the recipient’s costs incurred in connection with the asset is allowable (unless the asset is a non-dedicated mobile asset (see OT11100) in which case no expenditure is allowable).

For the purposes of this paragraph, a participator is associated with the person entitled to the receipt if the participator, by acting together with one or more participators in any field where the asset has been, is or is expected to be used, could control the recipient. Control is defined at ICTA88\S416.

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