HMRC - OT16050 - Losses - Outline

Where the PRT computation for a chargeable period results in an allowable loss being agreed for that period, the loss may be relieved against assessable profits for the same field arising in other chargeable periods. The principal rules for set off of allowable losses are in OTA75\S7. Allowable losses are set off in the PRT computation before any oil allowance (OTA75\S8, see OT17000) or safeguard (OTA75\S9, see OT17500) reduction.

Only those losses which have been formally determined by the Board, i.e. losses which have been included in a determination of loss under OTA75\SCH2\PARA10(2) and in respect of which a notice of formal determination has been issued by LB Oil & Gas are available for set off.

There are three ways in which allowable losses can be set off in the field:

against profits of preceding chargeable periods, latest first, OTA75\S7(2), see OT16100

against profits in subsequent periods, earliest first, OTA75\S7(1), see OT16150

once production has permanently ceased, against profits from any period, latest first, OTA75\S7(3), see OT16200.

If there remains a balance of the loss that cannot be relieved under OTA75\S7, there are rules in OTA75\S6 and OTA75\SCH8 which allow a participator to claim the unrelieved element against assessable profits arising in another field, see OT16200.

For the treatment of losses where there has been a transfer of licence interest, see OT16450 (basic rules) and OT16500 (‘anti-avoidance’ provisions).

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