HMRC - OT16200 - Losses - Set Off When Production Ceases

OTA75\S7(3)

If, when the winning of oil from a field has permanently ceased (see OT16350), to the extent that an allowable loss cannot be relieved under either OTA75\S7(1) (see OT16150) or OTA75\S7(2) (see OT16100), then OTA75\S7(3) requires that it be set off against the assessable profit arising for any chargeable period during the life of that field.

Again, the set off must be made first against the assessable profit (before oil allowance and safeguard) arising in the latest possible chargeable period with, thereafter, any balance of the loss offset against the profits of previous periods, working backwards until it is exhausted. In contrast to OTA75\S7(2), relief is mandatory rather than being dependent on a claim.

If there is a loss arising in more than one chargeable period, either under OTA75\S7(3) or OTA75\S7(2) (or both), the loss arising in the earlier chargeable period should be relieved first on a ‘first in, first out’ basis. See also OT16100 (claims to loss carry backs) and OT16600 (interest on PRT repayments).

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