HMRC - OT16250 - Losses - Unrelievable Field Losses

OTA75\S6

Basic Definition

Unrelievable field losses (UFLs) are covered in OTA75\S6 (as amended by FA01\S99) and OTA75\Sch8. These provisions are an exception to the general rule that only expenditure attributable to a particular field can be relieved in that field. If a UFL is determined, it may, subject to particular conditions, be allowable in another field.

An allowable UFL is the part of participator’s allowable loss from a particular chargeable period which, after the winning of oil from a field has permanently ceased (see OT16350), cannot be offset under OTA75\S7 against its assessable profits arising in other chargeable periods in that field. The loss has to have accrued to the participator and not to have been transferred by another, see OT16500 and on transfers in general, OT16450.

For the purposes of OTA75\S6 ‘the abandoned field’ means the oil field from which the winning of oil has permanently ceased. This is a term of art and does not literally mean that the field needs actually to have been abandoned.

With effect from 1 July 2007 OTA75\S6(4A) provides that the winning of oil will not be considered to have permanently ceased until all the wells in the field have been permanently abandoned.

Section 107 of FA 2008 introduces a new category of non-taxable field under FA93\S185(1ZA) whereby field participators can elect under Schedule 20A to FA 1993 for a taxable field to become non-taxable. Paragraph 5 of Schedule 20A prevents UFLs being available from any such field and OTA75\S6(1A) is amended to make reference to this paragraph. See OT19250 for details.

Procedures see OT16300.

Anti-Avoidance Legislation, FA01\SCH32 see OT16500.

Previous page

Next page