HMRC - OT17550 - PRT: Safeguard - Basic Calculation

OTA75\S9(1)

Under OTA75\S9(1), the operation of safeguard ensures that the PRT payable by a participator for a particular chargeable period to which the relief applies in a field is no more than

80% of the amount by which his ‘adjusted profit’, as defined for the chargeable period,

exceeds 15% of his ‘accumulated capital expenditure’, as defined as at the end of that chargeable period.

See OT17560 for a definition of adjusted profit and OT17570 for a definition of accumulated capital expenditure.

In other words, when safeguard applies, ‘adjusted profits’ in the period are compared with a threshold level which is 15% of the ‘accumulated capital expenditure’ incurred. If the ‘adjusted profits’ are below that threshold level, no PRT is payable. If they are above the threshold, PRT payable is limited to 80% of the excess, if that is less than the amount of PRT payable under normal rules.

The number of safeguard periods is limited by OTA75\S9(1A), see OT17600.

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