HMRC - OT17760 - PRT: Safeguard - Deferred Expenditure Claims - Example 1

Example 1: Full Disallowance of Expenditure

A company’s safeguard capital base is £600m. Its final period of safeguard is 1H01.

The 1H01 assessment is as follows (for simplicity’s sake, provisional allowance and oil allowance have been ignored):

\*15% of £600m equals £90m (the adjusted profit) so no PRT is due.

On 28 February 2002, the return for 2H01 is submitted including a claim of £20m operating expenditure for the claim period 1H01.

If this claim had been allowed before the making of the 1H01 assessment, the assessment would have shown:

\*15% of £600m is greater than £70m (the adjusted profit) so no PRT is due.

Because the only affect of allowing the operating expenditure before the making of the 1H01 assessment would have been to “displace” safeguard, the £20m is disallowed - it cannot gain effective tax relief in 2H01.

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