HMRC - OT17770 - PRT: Safeguard - Deferred Expenditure Claims - Example 2

Example 2: Partial Disallowance of Expenditure

The facts are the same except that now the 1H01 gross profit is £100m.

The 1H01 assessment is as follows (again ignoring provisional allowance and oil allowance):

\*PRT is restricted to 80% of the difference between £100m (the adjusted profit) and 15% of £600m.

If the £20m deferred claim had been allowed before the making of the 1H01 assessment, the assessment would have shown:

\*15% of £600m is greater than £80m (the adjusted profit) so no PRT is due.

Assuming the operating expenditure is otherwise allowable, and is tax-effective at 50% in the 2H01 assessment, £16m should be allowed and £4m disallowed. This ensures that the participator pays no more tax than it would have done had the claim not been deferred. The 1H01 assessment is not amended. Rather, the £16m is included in the 2H01 assessment in the normal way following OTA75\S2(9), provided the decision is made before that assessment is issued.

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