HMRC - OT18100 - PRT: Transfer Of Licence Interests - Licence Debit/Credit

FA80\Sch17\Para12

This paragraph, like FA80\SCH17\PARA11 (treatment of provisional expenditure relief, see OT18090), only applies where the old participator (OP) has disposed of its entire field interest. Since licence debits and credits are normally dealt with on an accruals basis, adjustments could fall to be made in a chargeable period after the transfer period. FA80\SCH17\PARA12 broadly provides that all such adjustments are to be taken into account in OP’s assessment for the transfer period.

FA80\SCH17\PARA12(2) provides that where an unused loss has been established at the end of the transfer period, this may be transferred and used by the new participator, even though some time later an adjustment affecting the quantum may arise.

Further relief will create an additional loss which can be transferred. A late licence credit will need to be charged to tax, since OP no longer has any losses available. The time at which the amount of the licence debit or credit for OP’s assessment for the transfer period is finally settled is therefore of some importance.

Normal time limits are extended by FA80\SCH17\PARA12(3) to six years from the end of the chargeable period in which the late adjustment would normally have been charged or allowed.

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