HMRC - OT18140 - PRT: Transfer Of Licence Interests - Non-Field Expenditure

FA80\Sch17\Paras16A-B

Non-field expenditure generally is covered at OT13750.

These paragraphs respectively allow the new participator (NP) to claim the benefit of the old participator’s (OP) ‘non-field expenditure’, i.e. expenditure which could have been claimed and allowed under OTA75\S5 (abortive exploration), OTA75\S5A (exploration and appraisal), or OTA75\S5B (research). The conditions are

a. NP’s right of succession only applies if OP (and all its associates) have given up all their UK/UKCS licence interests and if this transfer to NP was the last transfer to be made by OP (FA80\SCH17\PARA16(2)(a)-(b)),

b. NP may only claim relief against profits from a field in which it has acquired an interest from OP (FA84\S113 as amended by FA97\S107, see also OT13825), and

c. NP may claim in respect of expenditure incurred by OP, or (for OTA75\S5 and OTA75\S5A claims) by an associate of OP’s, provided no successful OTA75\SCH7 claim has been made by OP, or (for OTA75\S5 and OTA75\S5A claims) one of its associates, and the expenditure would have been allowable if NP itself had incurred it (FA80\SCH17\PARA16(1)).

As indicated by (a), FA80\SCH17\PARA16(2)(a) requires that the OP and any company associated with it shall no longer have any interest in a UK/UKCS licence. There are, therefore, a number of situations in which it will be necessary to liquidate OP for this condition to be met. These include transfers within a group, or transfers to unconnected parties where the transferor has an associate that has an interest in a licence.

‘Association’ is defined in FA80\SCH17\PARA16(3) and follows the definition used in relation to non-field expenditure claims, see OT13810.

Previous page

Next page