HMRC - OT20255 - Cessation Of Trade

It is a question of fact and degree and long established general law as to whether a company has ceased its petroliferous trade or whether such trade continues, albeit in a modified or reduced form.

Where for example a company disposes of its only producing interest and is left with exploration interests on which no commercial decision has been reached, that disposal will mean the cessation of the petroliferous trade in the absence of exceptional circumstances. However, if a company disposes of its only producing interest but the point has been reached where commercial development of one of its exploration interests is (almost) certain, then it may be that the trade has not ceased.

The question can arise as to whether a part of a trade, or just assets, is being transferred for CTA10\S938 purposes. Whilst each case will depend on the precise circumstances, if the interest transferred would have been a trade if considered in isolation, then the transfer of that interest will be the transfer of part of the trade; if not, then the transfer is one of assets and therefore not a transfer within CTA10\S940A.

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