HMRC - OT20315 - Intangible Fixed Assets – Oil Licences – Exclusion From The Scheme

FA2011\S62

FA2011\S62 confirms that oil licences are excluded from the IFA regime.

CTA09\S809 (1A) extends the reference to ‘an oil licence or an interest in an oil licence’ in CTA09\S809 (1) to include all goodwill and any intangible asset which relates to, derives from or is connected with an oil licence or an interest in an oil licence.

The Intangible Fixed Assets legislation and its application to oil licences was clarified in FA 2011 because the Government became aware that some companies had interpreted accounting practice in such a way that, rather than recognise expenditure on an interest in the oil licence, the expenditure was recognised on goodwill instead. This treatment may have brought this expenditure within the scope of the IFA regime in a way that conflicted with what was intended when the legislation was introduced by Finance Act 2002.

FA2011\S62 ensures that expenditure on an oil licence or an interest in an oil licence is excluded from the scope of the IFA regime, as was intended when the legislation was introduced in 2002.

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