HMRC - OT21060 - Carry Back Of Abandonment And Decommissioning Losses

CTA10\S40

Where a company incurs a loss attributable to abandonment or decommissioning expenditure incurred before cessation of a ring fence trade, that loss can be carried back beyond the normal one year period and allowed against profits of previous APs for a period of three years, CTA10\S40 formerly ICTA88\S393A(2C). The rules for allowing this relief are the same as for terminal loss relief available under CTA10\S39 formerly ICTA88\S393A(2B).

The amount of loss that can be carried back three years is the lesser of the loss of the AP and the amount of the abandonment or decommissioning expenditure allowance given for that AP, unless the trade ceases within twelve months of the end of the AP.

Where the trade ceases within twelve months of the end of the AP, the loss of the AP taken into account in the above is reduced by any amount for which terminal loss relief under CTA10\S39 is available.

This extended loss relief carry back applies to losses attributable to allowances given under CAA01\S164 in respect of abandonment expenditure incurred on or after 7 August 2000 and on or before 11 March 2008 (see OT28100).

For AP’s beginning on or after 12 March 2008 this extended loss relief provided in respect of abandonment expenditure is provided in respect of general decommissioning expenditure. Further extension is provided by CTA2010\S42 - see OT21065. {#}

For expenditure incurred in connection with decommissioning carried out on or after 21 March 2012, the extended loss relief carry back provided by CTA2010\S40 takes account of any mineral extraction allowances under CAA2001\S403 provided in respect of decommissioning expenditure.

For this purpose decommissioning expenditure is defined by CTA2010\S330C - see OT21233.

Time limits for claiming relief

The company is normally required to make a claim for relief under CTA10\S40 within two years of the end of the AP in which the loss arises. For cessations of the ring fence trade on or before 11 March 2008, the time limit is extended to five years where CAA01\S165 applies to post-cessation abandonment or general decommissioning expenditure (see OT28220).

For cessation of the ring fence trade on or after 12 March 2008, the time limit for making claims where CAA01\S165 applies is two years after the end of the ‘post-cessation period’. Broadly speaking, this is the period between the cessation of the ring fence trade and when an approved abandonment programme has been carried out to the satisfaction of the Secretary of State for the Department of Energy and Climate Change, or approval for the programme has been withdrawn, whichever is the later (see OT28200).

Previous page

Next page