HMRC - OT21230 - The Supplementary Charge - Restriction Of Relief In Respect Of Decommissioning Expenditure: The Amount Of Restriction

The increase to the adjusted ring fence profits is an amount equal to the appropriate fraction of the used-up amount of decommissioning expenditure.

The appropriate fraction is equal to (SC-20%)/SC, where SC is the rate of supplementary charge for the accounting period. Where the supplementary charge rate is 32% the appropriate fraction is 3/8ths.

The used up amount in relation to any decommissioning expenditure is the difference between:

the adjusted ring fence profits for the accounting period (which can be nil) in the absence of the restriction, and

the adjusted ring fence profits computed on the basis of the decommissioning expenditure not being taken into account in calculating the profit or loss for the accounting period, or in any loss relief surrendered to the company for the period.

The definition of decommissioning expenditure is at CTA2010\S330C, OT21233.

The legislation is framed to give the most favourable treatment to the company.

When calculating whether any losses arising from decommissioning expenditure have been taken into account, it is assumed that any other amounts of other expenditure that can be taken into account are taken into account before the decommissioning expenditure. This is subject to a right of election by the company should this assumption not be in the company’s favour.

Where any losses have been surrendered as group relief, the surrenderer and every claimant must jointly specify whether any of the losses surrendered are attributable to decommissioning expenditure.

Previous page

Next page