HMRC - OT21540 - Onshore Allowance - Transfers Of Allowance On Disposal Of Equity Share

CTA2010\S356H, S356HA and S356HB

Reduction of allowance if equity is disposed of

Where a company holding unactivated onshore allowance for a site disposes of the whole or part of its share of the equity in the licensed area containing that site then the balance of allowance is reduced by the following amount:

F x (E1 - E2)/E1

where

F is the pre-transfer total of unactivated allowance for the reference period that ends with the day on which the disposal is made;

E1 is the transferor’s share of the equity in the licensed area immediately before the disposal; and,

E2 is the transferor’s share of the equity in the licensed area immediately after the disposal.

Acquisition of allowance if equity is acquired

By the same token the acquiring company is treated as generating onshore allowance equal to

R x E3/(E1 - E2)

where

R is the amount determined for the purposes of the deduction under S356HA(1). That is the formula F x (E1 - E2)/E1;

E3 is the share of equity in the licensed area that the transferee has acquired from the transferor; and,

E1 and E2 are the same as in S356HA.

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