HMRC - OT26054 - Disposal Of A Licence For An Undeveloped Area

CAA01\S553

CAA01\S553 applies where there is a material disposal of an oil licence that relates to an undeveloped area.

If any of the consideration for the disposal consists of

another oil licence or an interest in another oil licence that relates to an undeveloped area, or

an obligation to undertake exploration or appraisal work in a licensed area in return for an interest in that area (a so called “farm-in”).

In such a case the value of the consideration is treated as nil.

There will therefore be no balancing charge in respect of RDA given for such a disposal nor will any relief be due to the purchaser.

Material disposal for the purposes of this section is defined at CAA01\S553(3) as any disposal other than one which CAA01\S568 or S569 have effect (sales treated as being for an alternative amount).

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