HMRC - OT26056 - The Allowance Of Certain Drilling Expenditure

TCGA 92\S195

HMRC takes the view that TCGA92\S38(1)(b) does not permit a capital gains deduction for drilling costs. Following on from a Special Commissioners’ decision it is accepted that the relevant asset, the interest in the licence, is an interest in land.

Drilling costs are not expenditure on the licence and are not reflected in the state or nature of the licence, although drilling costs may affect the value of the licence.

The effect of TCGA92\S195 is to provide that where there is a balancing charge in respect of RDA then relief may be given under TCGA92\S38(1)(b).

The effect is extended to cover certain circumstances in which non-trading/pre-trading companies would have received RDA which would have been claimed back had they been trading companies. It may therefore be necessary to consider the RDA provisions in respect of such companies for purposes of capital gains and the extension of relief for capital gains purposes.

Detailed guidance on the treatment of drilling expenditure for capital gains purposes can be found at OT30100.

Previous page

Next page