HMRC - OT26508 - Capital Allowances: Plant And Machinery - Transfers Of Interests In Oil Fields

CAA01\S166 restricts the qualifying expenditure for capital allowances for plant and machinery where a participator in an oil field transfers the whole or part of his interest to a new participator.

The legislation relates to transfers of interest covered by FA80\Sch17 these transfers will generally be for North Sea oil fields.

Where as part of the transfer, the old participator disposes of, and the new participator acquires plant and machinery used or expected to be used in connection with a field (or a share in the plant or machinery) then the amount by which the new participator’s expenditure exceeds the old participator’s disposal value is to be left out of the new participator’s available qualifying expenditure.

The terms “new participator’s expenditure”, “old participator’s disposal value” and oil field are defined at CAA01\S166(3) and (4).

This section applies only to ring fence activities or assets so only UK or UK continental shelf fields are affected.

The section extends to plant expected to be used, and therefore clearly includes cases where assets have not been bought into use. A common case would be where the transaction takes place before production starts.

The general rule on Relevant Transactions (see CA28000 & CAA01\S213) takes priority over CAA01\S166. That means, for instance, that no FYA would be due in a ‘main purpose’ case.

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