HMRC - OT26710 - Production Sharing Contracts - Deemed Ownership Of Assets

CAA2001\S167 to CAA01\S171

The intention of the legislation is to ensure, as far as possible, that the capital allowances regime should operate for oil companies using Production Sharing Contracts in exactly the same way as it operates for companies using any other kind of exploration and production vehicle (a licence, for example).

The legislation achieves this by deeming the plant and machinery to belong to the contractor from the point at which it ceases to actually belong (CAA01\S168(2), CAA01\S169(2) & CAA01\S170(2)) provided that certain conditions are met.

The legislation also sets out some additional rules for arriving at a disposal value, and the basis for calculating allowances, when machinery or plant used under the contract is transferred in certain circumstances.

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