HMRC - OT28100 - Relief For Expenditure Incurred Before Cessation Of Ring Fence Trade And On Or Before 11 March 2008

CAA2001\S164

FA01 extended an existing special allowance for demolition costs to cover expenditure on the decommissioning of plant or machinery. The special allowance was for abandonment expenditure and was replaced by a special allowance for general decommissioning expenditure if incurred on or after 12 March 2008 (see OT28080).

The special allowance for abandonment expenditure could be claimed by a person carrying on a ring fence trade provided 4 main conditions were satisfied

The expenditure was on the decommissioning (OT28050).

The decommissioning was of plant or machinery which was, or formed part of, offshore installations and submarine pipelines (OT28050).

The expenditure was incurred for the purposes of or in connection with closing down all or part of an oil field (OT28110).

The decommissioning was carried out wholly or substantially to comply with an approved abandonment programme or any condition to which the approval of the abandonment programme is subject (OT28120).

The assets had to have been brought into use for the ring fence trade but did not need to still be in use immediately prior to their decommissioning, although the asset must not have been replaced.

An irrevocable election is required within 2 years of the end of the chargeable period related to the expenditure and must specify the amount of the abandonment expenditure to which it relates. If the machinery or plant is demolished, any monies received for its remains are to be deducted from the amount qualifying for relief.

The amount of the special allowance for the chargeable period is equal to the amount of qualifying abandonment expenditure covered by the election as is incurred in the period. This is equivalent to, and is often called, a 100% allowance.

Expenditure on decommissioning may be incurred outside the terms of an abandonment programme. This will not qualify for the allowance although it may attract relief under other provisions.

If an election is not made, the expenditure may still qualify for relief under CAA2001\S161C (see OT28300) for reuse etc, and under CAA2001\S26 for demolition costs.

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