HMRC - OT28310 - Expenditure Qualifying For Writing Down Allowances

CAA01\S161C

CAA01\S161C provides relief through writing down allowances (WDA) for expenditure on decommissioning offshore infrastructure. The relief was introduced in FA01, before this a more limited relief was available for the net costs of demolition of offshore oil infrastructure in UK or non-UK oil fields (see OT28350).

For the purpose of this section the expenditure must meet the following conditions,

the person must be carrying on a trade of oil extraction,

decommissioning expenditure must be incurred (see OT28330), and

must have been brought into use for the purposes of the trade, and

is, or was when last in use for those purposes, offshore infrastructure (CAA01\S161C(1)).

There are various things that are excluded from decommissioning expenditure (see OT28320).

The qualifying expenditure is added to the appropriate pool for the chargeable period in which it is incurred. Relief is then given on the 25% reducing balance basis by adding the decommissioning expenditure to the qualifying expenditure on machinery or plant for the period.

This relief is given to a ring fence trade instead of the special allowance where an election with respect to general decommissioning expenditure (see OT28060) or abandonment expenditure (see OT28100) under CAA01\S164 is not made.

The relief is also available to non-ring fence oil extraction trades.

Next page