HMRC - OT28430 - Relief For Expenditure Incurred By A Participator In Meeting A Defaulter’S Abandonment Expenditure

CTA2010\S297

This section provides relief where a participator defaults on his share of abandonment expenditure and the expenditure is met by the other participators.

The section follows OTA75\Sch5\para2A which deals with relief for PRT (see OT10450).

Where a participator in a joint operating, unitisation or related agreement defaults, the defaulting participator’s interest will normally be forfeited and, subject to the agreement of the Secretary of State, taken over by some of or all the other participators.

Abandonment expenditure incurred before forfeiture of interest

Abandonment expenditure incurred before forfeiture will be in respect of assets still in the ownership of the defaulter and so one of the conditions for relief will not be met - the costs will have been incurred for the purposes of the defaulter’s trade not that of the participator paying them.

CA2010\S297(1) provides that the non-defaulting participator meeting the expenditure will get the same relief by way of capital allowances or, exceptionally, a revenue deduction as would have been available to the defaulter if the defaulter had met it. This will include relief due under CAA2001\S164 (see OT28080 & OT28100) and CAA2001\S165 (see OT28200 & OT28220).

Abandonment expenditure incurred after forfeiture of interest

For abandonment expenditure in respect of a defaulting participator’s share incurred after forfeiture, relief will in principle be available under the normal capital allowances sections without the need to invoke CTA2010\S297.

Meaning of terms

The legislation uses the following terms default payment, the defaulter and contributing participator. These terms have the same meaning as in OTA75\Sch5\para2A.

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