HMRC - OT28440 - Reimbursement By Defaulter In Respect Of Abandonment Expenditure

CTA2010\S298

CTA10\S298 provides that where a defaulter wholly or partly reimburses a contributing participator for payments met by that participator because of the payer’s previous default, then the amount concerned, the reimbursement expenditure is allowed as a deduction in computing the defaulter’s ring fence income and the reimbursement expenditure received is treated as income of the recipient’s ring fence trade for the relevant accounting period.

The relevant accounting period is that in which reimbursement is received by the contributing participator or the last accounting period of the ring fence trade if the contributing participator’s ring fence trade has been permanently discontinued (CTA2010\S298(8)).

Any additional assessment to CT necessary for the receipt of the reimbursement expenditure can be made at any time not later than 6 years after the end of the calendar year in which the sum is received (CTA2010\S298(5)).

The reimbursement expenditure received by the contributing participator is disregarded for the purposes of Capital Allowances (CTA2010\S298(7)). In particular, it will not affect any relief given to the contributing participator under CTA2010\S296 (see OT28430).

This section closely follows the form of the equivalent PRT section at FA91\S108 (see OT10500).

Definitions and meanings

Reimbursement expenditure is defined at CTA2010\S298(2) .

Default payment, the defaulter and contributing participator have the same meaning as in OTA75\Sch5\para2A.

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