HMRC - OT28460 - Buying Out Abandonment Obligations

Where a participator withdraws from a joint operating, unitisation or related agreement, either

a payment may be made to the remaining participators in respect of estimated future decommissioning and abandonment expenditure, or

a payment may be received if, exceptionally, anticipated scrap or reuse proceeds exceed estimated future decommissioning and abandonment expenditure.

A payment made to the remaining participants

No relief will be due in respect of payments under (a) as the conditions for relief under CAA2001\S26, CAA2001\S164 and CAA2001\S161C are not met - the plant in question has not in fact been demolished or decommissioned and remains in use.

When in due course the actual demolition or decommissioning expenditure is incurred by the remaining participators, there will be no restriction of relief to them by reference to amounts previously received from outgoing participators (see CAA2001\S536(2) & (3)).

A payment received from the remaining participants

It is likely that payments under (b) will be rare. In the hands of the recipient the payment would be offset as disposal value against the pool of unrelieved expenditure on plant and machinery. The payer would be entitled to an allowance on the expenditure as the cost of an additional interest in the plant.

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