HMRC - OT30136 - Licence Swaps - Licence Only Consideration - Disposals Made On Or After 22 April 2009

FA2009 introduced legislation to facilitate the transfer of oil licences.

Where

two companies each dispose of one or more UK licences to each other by way of a bargain at arm’s length,

at least one of the licences relates to a developed area, and

the licences are the only consideration given,

each company is treated as if it had disposed of each licence for a consideration of such amount as gives rise to neither a gain nor a loss. Such a transaction is described as a ‘licence-consideration’ swap. (TCGA92\S195B).

This no gain/no loss disposal is not included in the list of ‘the no gain/no loss provisions’ in TCGA92\S288(3A).

Where the company acquires only one licence, the company is to be treated as if it had acquired the licence for a consideration of the same amount as the deemed disposal consideration.

Where the company acquires more than one licence, the deemed acquisition cost for each licence is that fraction of the deemed disposal consideration that the value of the licence acquired bears to the total value of all the licences acquired.

See OT30139 for the tax treatment of expenditure incurred by a company on a licence disposed of under a licence-consideration swap and reimbursed by the company to whom the disposal is made.

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