HMRC - OT30155 - Allowable Costs - Rebasing Where The Cost Of The Licence Is Nil

A difficulty arises where the actual CGT cost of the licence was nil. This may not be very common in practice.

For the original licence holder there will normally have been a CGT cost. This is because application fees and/or initial payments were required in each of the North Sea licensing rounds. There may also have been allowable incidental expenditure.

However, a company may have acquired a second hand asset for nil cost. Here the question of whether the wasting asset rules apply in this situation is normally academic, and it is only in cases involving rebasing that it has any practical relevance.

HMRC do not accept the argument that because expenditure on a licence would have qualified for capital allowances if it had been incurred, it is excluded from the wasting asset rules under TCGA92\S47(1)(a) even though no expenditure was actually incurred. If there was no original expenditure then the whole of the March 1982 value should be treated as relating to the wasting asset.

Previous page

Next page