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## **NORTH SEA: ACCELERATED DECOMMISSIONING RELIEF**

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### **Who is likely to be affected?**

1. Companies that produce oil and gas in the UK and on the UK Continental Shelf (UKCS) that have entered into arrangements to incur decommissioning expenditure in advance of the decommissioning process.

### **General description of the measure**

2. Legislation will be introduced in Finance Bill 2009 to prevent oil and gas companies claiming tax relief for infrastructure decommissioning costs too far in advance of the actual decommissioning being undertaken. It does so by ensuring that tax relief for decommissioning will only be given in respect of those costs that relate to the work actually carried out in the accounting period.

### **Operative date**

3. The measure will have effect on and after 22 April 2009.

### **Current law and proposed revisions**

4. Companies producing oil and gas in the UK and UKCS have a statutory requirement, administered by the Department of Energy and Climate Change (DECC), to decommission oil and gas fields at the end of their life, under abandonment programmes agreed with DECC.
5. Companies are able to claim capital allowances for the cost of decommissioning against ring fence profits when the decommissioning costs are incurred. Some companies have entered into intra-group arrangements which are designed to accelerate access to decommissioning allowances well in advance of the time when decommissioning will actually take place.
6. With effect from today, companies will be able to claim capital allowances for decommissioning expenditure where it is incurred to comply with:
  - an approved abandonment programme;
  - any condition to which the approval of an abandonment programme is

subject; or

- any other condition imposed by, or agreement entered into with the Secretary of State for DECC in relation to decommissioning.

In addition the expenditure must have been incurred and paid out in respect of the decommissioning work carried out or undertaken in the accounting period.

### **Further advice**

7. If you have any questions about this change, please contact Mike Crabtree on 020 7438 6576 (email: [mike.crabtree@hmrc.gsi.gov.uk](mailto:mike.crabtree@hmrc.gsi.gov.uk)) or Paul Philip on 020 7438 6993 (email: [paul.philip@hmrc.gsi.gov.uk](mailto:paul.philip@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)