



Capital allowances regime: mineral extraction allowance

Who is likely to be affected?

Companies involved in the mineral extraction industry including oil and gas.

General description of the measure

The measure will provide that successful planning permission costs will be treated as expenditure on mineral exploration and access rather than as expenditure on acquiring a mineral asset.

Policy objective

This measure is designed to accelerate the relief available to the mineral extraction industry in respect of costs incurred in obtaining planning permission.

Background to the measure

This measure was announced in Budget 2014 and is in response to representations made as to the different treatment of the costs of successful and unsuccessful applications for planning permission for mineral extraction allowances purposes.

Detailed proposal

Operative date

The measure will have effect in respect of qualifying expenditure incurred on and after the date that Finance Bill 2014 receives Royal Assent.

Current law

Capital Allowances Act (CAA) 2001 Part 5 provides for the relief of qualifying expenditure including, under Chapter 2, mineral exploration and access and, under Chapter 3, acquiring a mineral asset. Expenditure under Chapter 2 qualifies for relief at 25 per cent per annum (100 per cent for oil and gas) and at 10 per cent under Chapter 3.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend CAA 2001 to ensure that all costs incurred in obtaining planning permission for the purposes of a mineral extraction trade qualify for relief at the higher rate under Chapter 2.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	The changes to the legislation are expected to facilitate investment in the mineral extractives industry.				
Impact on individuals and households	The allowance is considered to have no differential impact on individuals and households.				
Equalities impacts	The allowance is considered to have no differential impact on any equality groups.				
Impact on business including civil society organisations	<p>Only a small number of UK businesses will be affected by the measure. This measure is expected to have negligible impact on these businesses as they will claim relief at a new rate.</p> <p>This measure will have no impact on civil society organisations.</p>				
Operational impact (£m) (HMRC or other)	The additional costs for HM Revenue & Customs in implementing this change are expected to be negligible.				
Other impacts	<p><u>Small and micro business assessment:</u> it is not anticipated that many small or micro businesses will be affected by this measure. It is expected to have a negligible impact on these businesses as they will be able to claim relief at a new rate.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tony Chanter on 03000 589073 (email: tony.chanter@hmrc.gsi.gov.uk).