

SCHEDULES

SCHEDULE 8

Section 49.

CAPITAL ALLOWANCES

Investment grants etc.: exclusion of first-year allowances

- 1 (1) No first-year allowance shall be made in respect of so much of any expenditure as is taken into account for the purposes of—
- (a) any grant towards that expenditure made under the Industrial Development Act 1966, or
 - (b) any grant towards that expenditure made under the Industrial Investment (General Assistance) Act (Northern Ireland) 1966 by virtue of the Industrial Investment Grant (Addition of Eligible Assets) Order (Northern Ireland) 1967, or
 - (c) any grant towards that expenditure made under the last mentioned Act and exceeding 20 per cent. of that expenditure, or
 - (d) any grant towards that expenditure made under any agreement under the Industries Development Act (Northern Ireland) 1966 made before 1st August 1971 other than one made after 16th February 1971 and providing that no grant payable thereunder in respect of expenditure on machinery or plant is to exceed 40 per cent. of the expenditure:

Provided that the Treasury may from time to time, by order made by statutory instrument, vary as respects expenditure incurred after the passing of this Act, or any description of such expenditure specified in the order, the percentages specified in paragraphs (c) and (d) above or either of them.

- (2) If any such grant is made after the making of any such allowance, that allowance shall to that extent be withdrawn; and where the amount of any such grant is repaid in whole or in part by the grantee to the grantor, then, to the extent to which it has been so repaid, it shall be deemed never to have been made.
- (3) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to sub-paragraph (2) above; and, notwithstanding anything in any other provision, the time within which such an assessment or adjustment may be made shall not expire before the expiry of three years from the end of the chargeable period in which the grant or, as the case may be, repayment is made.
- (4) This paragraph does not apply to expenditure on the provision of ships.

Effect of other capital allowances

- 2 (1) Expenditure in respect of which a deduction may be allowed under section 91 of the Capital Allowances Act 1968 (which gives a deduction of 100 per cent. in the case of capital expenditure on scientific research) shall be disregarded for all the purposes of Chapter I of Part III of this Act; and where a deduction in respect of any expenditure

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has been allowed under the said section 91 in taxing a trade carried on by any person, paragraph 7 of this Schedule shall not apply on that person's bringing into use for the purposes of the trade of any machinery or plant representing that expenditure.

- (2) Section 50 of the said Act of 1968 (effect on allowances under Chapter II of Part I of that Act of allowances in respect of machinery or plant used for exploration or in respect of agricultural or forestry works) shall have effect as if references therein to the said Chapter II included references to Chapter I of Part III of this Act.

Effect of sales between connected persons, sale and lease-back etc.

- 3 (1) Where a person incurs capital expenditure on the provision by purchase of machinery or plant which has been in use for the purposes of a trade carried on by the seller, and—
- (a) he and the seller are connected with each other within the terms of section 533 of the Taxes Act, or
 - (b) the machinery or plant continues to be used for the purposes of a trade carried on by the seller, or
 - (c) it appears with respect to the sale, or with respect to transactions of which the sale is one, that the sole or main benefit which, but for this sub-paragraph, might have been expected to accrue to the parties or any of them was the obtaining of an allowance under Chapter I of Part III of this Act,
- a first-year allowance shall not be made in respect of the expenditure, or if made shall be withdrawn, and there shall be disregarded for the purposes of section 44 of this Act so much (if any) of the expenditure as exceeds the disposal value to be brought into account under that section by reason of the sale.
- (2) Where a person enters into a contract under which, on the performance thereof, he will or may become the owner of machinery or plant which has been in use for the purposes of a trade carried on by the person to whom the machinery or plant belongs, and—
- (a) he and that person are connected with each other within the terms of section 533 of the Taxes Act, or
 - (b) the machinery or plant continues to be used for the purposes of a trade carried on by that person, or
 - (c) it appears with respect to the transaction, or with respect to transactions of which it is one, that the sole or main benefit which, but for this sub-paragraph, might have been expected to accrue to the parties or any of them was the obtaining of an allowance under Chapter I of Part III of this Act,
- a first-year allowance shall not be made in respect of any expenditure incurred by him under the contract so far as relating to that machinery or plant, or if made shall be withdrawn, and there shall be disregarded for the purposes of section 44 of this Act so much (if any) of the expenditure as exceeds the disposal value to be brought into account under that section by reason of the contract so far as so relating.
- (3) Where a person, being entitled to the benefit of a contract under which, on the performance thereof, he will or may become the owner of any machinery or plant which has been in use for the purposes of his trade, assigns the benefit of the contract so far as it relates to that machinery or plant to another person, and—
- (a) he and the assignee are connected with each other within the terms of section 533 of the Taxes Act, or

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- (b) the machinery or plant continues to be used for the purposes of a trade carried on by him, or
- (c) it appears with respect to the assignment, or with respect to transactions of which the assignment is one, that the sole or main benefit which, but for this sub-paragraph, might have been expected to accrue to the parties or any of them was the obtaining of an allowance under Chapter I of Part III of this Act,

a first-year allowance shall not be made in respect of any expenditure incurred by the assignee under the contract so far as so relating, or by way of consideration for the assignment, or if so made shall be withdrawn, and there shall be disregarded for the purposes of section 44 of this Act so much (if any) of the assignee's expenditure as exceeds the disposal value to be brought into account under section 45 of this Act by reason of the assignment.

- (4) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to the preceding provisions of this paragraph.

Further effects of disposal etc. before bringing into use

- 4 (1) Subject to sub-paragraph (2) below, the following provisions shall have effect where a person has incurred capital expenditure on the provision of machinery or plant for the purposes of a trade and, by reason of any event, the machinery or plant ceases to belong to him without having been brought into use for those purposes—
 - (a) if that expenditure exceeds the disposal value which by reason of the event that person would be required to bring into account under section 44 of this Act if he had previously brought the machinery or plant into use for the purposes of the trade, the amount of the excess shall, for the purposes of that section, be added to his qualifying expenditure for the chargeable period related to the event;
 - (b) if the event is one such that, if that person had previously brought the machinery or plant into use for the purposes of the trade any of the provisions of paragraph 3 above would have applied to the allowances to be made under Chapter I of Part III of this Act to another person, there shall be disregarded for the purposes of that Chapter so much (if any) of the expenditure incurred by that other person in acquiring the machinery or plant as exceeds the expenditure incurred by the first-mentioned person in providing it.
- (2) Where the event referred to in sub-paragraph (1) above is the assignment of the benefit of a contract—
 - (a) paragraph (a) of that sub-paragraph shall have effect as if the expenditure there referred to were the total capital expenditure which the person in question would have incurred in respect of the machinery or plant if he had wholly performed the contract, and
 - (b) paragraph (b) of that sub-paragraph shall have effect as if, for the reference to the expenditure incurred by the other person in acquiring the machinery or plant, there were substituted a reference to the consideration given by that other person for the assignment.
- (3) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to the preceding provisions of this paragraph.

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Effect of use partly for trade etc. purposes and partly for other purposes

- 5 (1) A first-year allowance may be made to a person in respect of any machinery or plant notwithstanding that it appears that, during the period during which the machinery or plant will be used for the purposes of a trade carried on by him, it will also be used for other purposes ; but the allowance in any such case shall be so much only of the allowance that would fall to be made if the machinery or plant were to be used only for the purposes of the trade as may be just and reasonable having regard to all the relevant circumstances of the case and, in particular, to the extent to which it appears that the machinery or plant is likely to be used for the said other purposes during that period.
- (2) Where any machinery or plant is used partly for the purposes of a trade and partly for other purposes, the following provisions of this paragraph shall have effect with respect to the allowances and charges to be made in the case of the trade (hereafter called “the actual trade ”) under section 44 of this Act.
- (3) If the machinery or plant has been used for the purposes of the actual trade at any time before the beginning of the chargeable period or its basis period in which it is first used partly for those purposes and partly for other purposes, it shall be treated for the purposes of the said section 44 as having permanently ceased to be used for the purposes of the actual trade immediately after the beginning of the said chargeable or basis period.
- (4) Whether or not sub-paragraph (3) above applies, it shall be assumed for the purposes of the said section 44—
- (a) that (with paragraph 7 of this Schedule applying where appropriate) immediately after the beginning of the said chargeable or basis period the machinery or plant is brought into use for the purposes of a trade (hereafter called “the notional trade ”) carried on by the person carrying on the actual trade separately from that and any other trade carried on by him,
 - (b) that from then until it ceases altogether to be used for the purposes of the actual trade the machinery or plant is used solely for the purposes of the notional trade,
 - (c) that the notional trade is permanently discontinued on the machinery or plant ceasing altogether to be used for the purposes of the actual trade, and
 - (d) that any first-year allowance made in respect of the machinery or plant was made without any reduction in the amount thereof under sub-paragraph (1) above ;
- and the allowance or charge under that section which, on the above assumptions and having regard to sub-paragraph (5) below, would fall to be made for any chargeable period in the case of the notional trade—
- (i) shall be reduced to such extent as may be just and reasonable having regard to all the relevant circumstances of the case and, in particular, to the extent to which the machinery or plant was used in that chargeable period or its basis period otherwise than for the purposes of the actual trade, and
 - (ii) shall, as so reduced, be made for that chargeable period in the case of the actual trade.
- (5) If an allowance under the said section 44 falling by virtue of this paragraph to be made for any chargeable period in the case of the actual trade is not claimed, or is reduced in amount in accordance with a requirement under the proviso to subsection (2) of that section, then, in determining the allowance or charge under that section

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which would fall to be made for any subsequent chargeable period in the case of the notional trade, any allowance falling to be made in the case of that trade for the first-mentioned chargeable period shall be treated as not claimed or, as the case may require, proportionately reduced.

Effect of subsidies towards wear and tear

- 6 (1) If it appears that, during the period during which any machinery or plant will be used by a person for the purposes of his trade, sums which—
- (a) are in respect of, or take account of, the wear and tear to the machinery or plant occasioned by its use for those purposes, and
 - (b) do not fall to be taken into account as income of that person, or in computing the profits or gains of any trade carried on by him,
- are, or are to be, payable to that person directly or indirectly by the Crown, or by any government or public or local authority (whether in the United Kingdom or elsewhere), or by any other person, then, unless those sums are in respect of, or take account of, part only of the said wear and tear, any expenditure incurred by the first-mentioned person in providing the machinery or plant shall be wholly disregarded for the purposes of Chapter I of Part III of this Act.
- (2) Where sub-paragraph (1) above would apply to a person's expenditure on the provision of machinery or plant but for the fact that the sums there referred to are in respect of, or take account of, part only of the wear and tear to the machinery or plant, a first-year allowance may be made in respect of the expenditure, but the amount thereof shall be reduced to such extent as may be just and reasonable having regard to all the relevant circumstances of the case.
- (3) Where sums within sub-paragraph (1) above are paid as mentioned in that sub-paragraph to a person carrying on a trade, but are in respect of, or take account of, part only of the wear and tear to the machinery or plant in respect of which they are paid, the following provisions of this paragraph shall have effect with respect to the allowances and charges to be made in the case of the trade (hereafter called “the actual trade”) under section 44 of this Act.
- (4) If the machinery or plant has been used for the purposes of the actual trade at any time before the beginning of the chargeable period or its basis period in which the first such sum is so paid in respect thereof, it shall be treated for the purposes of the said section 44 as having permanently ceased to be used for the purposes of the actual trade immediately after the beginning of the said chargeable or basis period.
- (5) Whether or not sub-paragraph (4) above applies, it shall be assumed for the purposes of the said section 44—
- (a) that (with paragraph 7 of this Schedule applying where appropriate) immediately after the beginning of the said chargeable or basis period the machinery or plant is brought into use for the purposes of a trade (hereafter called “the notional trade”) carried on by the person carrying on the actual trade separately from that and any other trade carried on by him,
 - (b) that from then until it ceases altogether to be used for the purposes of the actual trade the machinery or plant is used solely for the purposes of the notional trade, with no sums within sub-paragraph (1) above being paid in respect thereof to the person carrying on that trade,
 - (c) that the notional trade is permanently discontinued on the machinery or plant ceasing altogether to be used for the purposes of the actual trade, and

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- (d) that any first-year allowance made in respect of the machinery or plant was made without any reduction in the amount thereof under sub-paragraph (2) above ;

and the allowance or charge under that section which, on the above assumptions and having regard to sub-paragraph (6) below, would fall to be made for any chargeable period in the case of the notional trade—

- (i) shall be reduced to such extent as may be just and reasonable having regard to all the relevant circumstances of the case, and
- (ii) shall, as so reduced, be made for that chargeable period in the case of the actual trade.
- (6) If an allowance under the said section 44 falling by virtue of this paragraph to be made for any chargeable period in the case of the actual trade is not claimed, or is reduced in amount in accordance with a requirement under the proviso to subsection (2) of that section, then, in determining the allowance or charge under that section which would fall to be made for any subsequent chargeable period in the case of the notional trade, any allowance falling to be made in the case of that trade for the first-mentioned chargeable period shall be treated as not claimed or, as the case may require, proportionately reduced.

Effect of use after user not attracting capital allowances, or after receipt by way of gift

- 7 (1) Subject to sub-paragraph (2) below, where a person—
- (a) brings into use for the purposes of a trade carried on by him machinery or plant which belongs to him in consequence of his having incurred capital expenditure on its provision, but which he has previously used in circumstances such that that expenditure has not been taken into account in computing any allowance falling to be made in the case of the trade under Chapter I of Part III of this Act, or
- (b) brings into use for the purposes of a trade carried on by him machinery or plant which belongs to him in consequence of a disposition by way of gift by reason of which the donor was required by virtue of section 44(5) of this Act to bring into account for the purposes there mentioned a disposal value equal to the price which the machinery or plant would have fetched if sold in the open market at the time of the gift,
- the said section 44 shall have effect as if that person had incurred capital expenditure on the provision of the machinery or plant for the purposes of the trade in the chargeable period related to its bringing into use for those purposes, the amount of that expenditure being taken as the price which the machinery or plant would have fetched if sold in the open market on the date when it was so brought into use, and the machinery or plant being treated as belonging to that person in consequence of his having incurred that expenditure.
- (2) Sub-paragraph (1) above shall not apply where a person brings into use for the purposes of a trade carried on by him machinery or plant which belongs to him in consequence of his having incurred capital expenditure on its provision and which he has previously used only for the purposes of activities carried on by him before commencing to work a mine, oil well, or other source of mineral deposits of a wasting nature, being activities consisting of—
- (a) searching for or discovering and testing deposits or winning access thereto, or

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- (b) the construction of any works which are likely to be of little or no value when the source is no longer worked, or, where the source is worked under a foreign concession, which are likely to become valueless when the concession comes to an end to the person working the source immediately before the concession comes to an end ;

but, in any such case, the actual expenditure incurred by that person on the provision of the machinery or plant shall be treated for the purposes of the said section 44 as having been incurred by him on its provision for the purposes of the trade in the chargeable period related to its bringing into use for those purposes.

In this sub-paragraph—

“foreign concession ” means a right or privilege granted by the government of, or any municipality or other authority in, any territory outside the United Kingdom, and

“mineral deposits ” includes any natural deposits capable of being lifted or extracted from the earth.

Special rules for new ships

- 8 (1) Where for any chargeable period a first-year allowance falls to be made to a person carrying on a trade in respect of expenditure incurred by him on the provision of a new ship, that person may, by notice in writing given to the inspector not later than two years after the end of the period, require the postponement either of the whole allowance or of so much thereof as is specified in the notice.
- (2) Where a notice has been given under sub-paragraph (1) above in respect of any first-year allowance—
- (a) the allowance shall, as the case may require, be withheld or withdrawn, or partially withheld or withdrawn, and
- (b) the expenditure to which the allowance relates shall be disregarded for all the purposes of section 44 of this Act except the purposes of subsections (5) and (6) of that section, and
- (c) the person giving the notice may claim the amount withheld or withdrawn as a first-year allowance for any subsequent chargeable period in which he carries on the trade, or may claim first-year allowances not exceeding that amount in the aggregate for any two or more such periods.
- (3) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to the provisions of this paragraph.
- (4) An allowance which is postponed by virtue of this paragraph shall not by reason only of the postponement fall within the references to allowances or amounts carried forward from an earlier year or period in sections 169(4)(d), 174(6) and 259(2) of the Taxes Act (loss relief and group relief).

Special rules for motor cars

- 9 In paragraphs 10 to 12 below “motor car ” means any mechanically-propelled road vehicle other than one within paragraph (a), (b) or (c) of section 43 of this Act.
- 10 (1) The following provisions of this paragraph shall have effect where capital expenditure exceeding £4,000 is incurred, or is treated under any provision of this Schedule as incurred, on the provision of a motor car for the purposes of a trade.

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- (2) It shall be assumed for the purposes of section 44 of this Act—
- (a) that, immediately after the beginning of the chargeable period related to the incurring of the expenditure, the person carrying on the trade (hereafter called “the actual trade”) brings the motor car into use for the purposes of a trade carried on by him separately from the actual trade and any other trade he may carry on,
 - (b) that the motor car is used for the purposes of the separate trade from then until it ceases altogether to be used for the purposes of the actual trade, and
 - (c) that the separate trade is permanently discontinued when the motor car ceases altogether to be used for the purposes of the actual trade ;

and, subject to sub-paragraphs (3) to (5) below, the allowance or charge under that section which, on these assumptions, would fall to be made for any chargeable period in the case of the separate trade shall be made for that period in the case of the actual trade.

- (3) If on the assumptions in sub-paragraph (2) above a writing-down allowance would fall to be made for any chargeable period in the case of the separate trade, the amount thereof shall be treated as not exceeding—
- (a) except in a case falling within paragraph (b) below, £1,000 or, if the period is part only of a year, a proportionate part of £1,000,
 - (b) if (by virtue of section 84 of the Capital Allowances Act 1968 as applied by this Schedule) the person carrying on the trade is regarded as having incurred a part only of the expenditure actually incurred on the provision of the motor car, a proportionate part of £1,000 or, if the period is part only of a year, that proportionate part proportionately reduced.
- (4) Where the motor car ceases to be used for the purposes of the actual trade by reason of a transaction to which paragraph 3 of this Schedule applies—
- (a) the disposal value to be brought into account under section 44 of this Act in the case of the separate trade shall be an amount equal to the price which the motor car would have fetched on a sale at the same time in the open market or, if less, the capital expenditure incurred, or treated as incurred, on the provision of the motor car by the person disposing of it, and
 - (b) the person acquiring the motor car shall be treated for the purposes of Chapter I of Part III of this Act as having incurred on its provision capital expenditure equal to that disposal value.
- (5) If either of the following events occurs in relation to the motor car—
- (a) it is used partly for the purposes of the actual trade and partly for other purposes, or
 - (b) while it is in use for the purposes of the actual trade, there is paid to the person carrying on the trade any sum which is in respect of, or takes account of, part of the wear and tear to it occasioned by that use,

neither paragraph 5 nor paragraph 6 of this Schedule shall apply, but, for the chargeable period related to the event and any subsequent period, instead of there being made in the case of the actual trade the allowance or charge which under the preceding provisions of this paragraph would fall to be made for that period in the case of the separate trade, there shall be made so much of that allowance or charge as, in accordance with the said paragraph 5 or 6, would be just and reasonable if it were one falling to be made for that period in the case of the notional trade referred to in that paragraph.

- 11 Where capital expenditure exceeding £4,000 is incurred on the provision of a motor car and, by virtue of section 85 of the Capital Allowances Act 1968 as applied by this Schedule, writing-down allowances may be made to a person as if a contribution made by him to the expenditure had been expenditure on the provision of the motor car for the purposes of a trade, the amount of the allowance to be made for any chargeable period—
- (a) shall be determined as if the contribution had been expenditure on the provision of the motor car for the purposes of a trade carried on by that person separately from any other trade carried on by him, and
 - (b) shall not exceed an amount bearing to £1,000 the same proportion as that borne by the contribution to the capital expenditure actually incurred on the provision of the motor car or, if the chargeable period is part only of a year, that amount proportionately reduced.
- 12 Where, apart from this paragraph, the amount of any expenditure on the hiring of a motor car the retail price of which when new exceeds £4,000 would be allowed to be deducted in computing for the purposes of tax the profits or gains of any trade, the said amount shall be reduced in the proportion which £4,000, together with one half of the excess, bears to the said retail price.

Effect of successions to trades between connected persons

- 13 Where a person (the “successor”) succeeds to a trade which was until that time carried on by another person (the “predecessor”) and the two persons are connected with each other within the terms of section 533 of the Taxes Act, those persons may by notice in writing to the inspector elect that the provisions of this paragraph shall have effect; and in that event—
- (a) for the purpose of making allowances and charges under Chapter I of Part III of this Act, the trade shall not be treated as discontinued;
 - (b) allowances and charges shall be so made to or on the successor as if everything done to or by the predecessor had been done to or by the successor, but with no account being taken of the sale or transfer from the predecessor to the successor of any machinery or plant which was in use for the purposes of the trade at the time of the succession.

Treatment of demolition costs

- 14 (1) Where any machinery or plant which is in use for the purposes of a trade is demolished, then—
- (a) if the person carrying on the trade replaces the machinery or plant by other machinery or plant, the net cost to him of the demolition shall be treated for the purposes of Chapter I of Part III of this Act as expenditure incurred by him on the provision of that other machinery or plant, and
 - (b) if the person carrying on the trade does not replace the machinery or plant, his qualifying expenditure for the chargeable period related to the demolition shall be treated for the purposes of section 44 of this Act as increased by the net cost to him of the demolition.
- (2) In this paragraph any reference to the net cost of the demolition of any machinery or plant is a reference to the excess, if any, of the cost of the demolition over any moneys received for the remains of the machinery or plant.

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Application of certain provisions of Capital Allowances Act 1968

- 15 (1) Section 44 of the Capital Allowances Act 1968 (partnership using property of a partner) shall have effect as if the reference in subsection (1) to Chapter II of Part I of that Act included a reference to Chapter I of Part III of this Act, and as if the references in subsection (2) to section 33 of that Act and an event giving rise to a balancing allowance or balancing charge included references respectively to section 44(5) of this Act and an event requiring any disposal value to be brought into account.
- (2) In section 45 of the said Act of 1968 (building alterations connected with installation of machinery or plant), the reference to the said Chapter II shall include a reference to the said Chapter I.
- (3) Section 48 of the said Act of 1968 (successions to trades) shall, with the omission of the proviso to subsection (4) and subsection (6), have effect as if references therein to initial allowances, the said Chapter II, and section 47(1) of that Act included references respectively to first-year allowances, the said Chapter I and section 47(1) of this Act; but, in its application by virtue of this sub-paragraph, the section shall be modified by substituting, for all the words in subsection (2) from “be deemed to be a reference ” to the end of that subsection, the words "be deemed to be a reference to that price or, if it is less than that price, any excess of qualifying expenditure over disposal value which would have been taken into account under section 44 of the Finance Act 1971 for making an allowance for the chargeable period related to the permanent discontinuance of the deceased person's trade if the machinery or plant had had no disposal value."
- (4) In section 77 of the said Act of 1968 (apportionments etc.) references to Part I of that Act shall include references to the said Chapter I; and the said Chapter I shall be treated as included in the provisions referred to in section 81(2) of that Act (procedure on apportionments etc.).
- (5) In section 84(1) of the said Act of 1968 (subsidies etc.), the reference to Part I of that Act shall include a reference to the said Chapter I.
- (6) Section 85(1) of the said Act (allowances in respect of contributions to capital expenditure) shall have effect as if the references therein to initial allowances and writing-down allowances included references respectively to first-year allowances and writing-down allowances under the said Chapter I, but, in its application by virtue of this sub-paragraph, modified by substituting the words “of that asset ” for the words “of a similar asset” ; and, for the purpose of any allowance under the said Chapter I given by virtue of the said section 85(1) in respect of any asset, that asset shall be treated as belonging to the person making the contribution in respect of which the allowance is given at any time when it belongs, or is treated under the said Chapter I as belonging, to the recipient of the contribution.

Amendments of other enactments

- 16 (1) Paragraph 6 of Schedule 6 to the Finance Act 1965 shall be amended by inserting in sub-paragraph (4)(a), after the words “said Act of 1968) ”, the words “or under Chapter I of Part III of the Finance Act 1971 ”, and by adding the following sub-paragraph after sub-paragraph (6)—

“(7) Where the disposal is of machinery or plant in relation to expenditure on which allowances or charges have been made under Chapter I of Part III

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of the Finance Act 1971, and neither paragraph 5 (assets used partly for trade purposes and partly for other purposes) nor paragraph 6 (wear and tear subsidies) of Schedule 8 to that Act applies, the capital allowances to be taken into account under this paragraph are to be regarded as equal to the difference between the capital expenditure incurred, or treated as incurred, under that Chapter on the provision of the machinery or plant by the person making the disposal and the disposal value required to be brought into account in respect of the machinery or plant.”

- (2) Any reference in the Capital Allowances Act 1968 to Chapter II of Part I of that Act shall, unless it is in the said Chapter II or in Chapter VI of the said Part I, include a reference to Chapter I of Part III of this Act.
- (3) In the definition of “capital allowance” in section 526(5) of the Taxes Act, there shall be added at the end “and any allowance under Chapter I of Part III of the Finance Act 1971 ”.
- (4) In sections 60(3) and 190(3) of the Taxes Act, for the words from “section 28 ” to the end there shall be substituted the words “such relief shall be given under this section as may be just and reasonable having regard to all the relevant circumstances and, in particular, to the extent of the use for the said other purposes ”.
- (5) In sections 155(8), 174(12), 180(7), 190(1), 227(4), 252(2), 352(4), 485(4) and 528(5)(c) of the Taxes Act, any reference to the Capital Allowances Act 1968, to Part I of that Act, or to Chapter II of that Part, shall include a reference to Chapter I of Part III of this Act.
- (6) Section 177 of the Taxes Act shall be amended by adding the following subsection after subsection (3)—
 - “(3A) Where a company incurs a loss in a trade in an accounting period for which one or more first-year allowances "fall to be made to it under Chapter I of Part III of the Finance Act 1971 in respect of expenditure on the provision for the purposes of the trade of machinery or plant within section 42(2)(b) of that Act, subsections (2) and (3) above shall have effect in relation to so much of the loss as would not have been incurred if the allowance or allowances had been totally disclaimed as if the time specified in the said subsection (3) were a period of three years ending immediately before the accounting period in which the loss is incurred”.
- (7) Section 492 of the Taxes Act shall be amended by adding the following subsection after subsection (8)—
 - “(9) This section shall not apply if the capital sum obtained in respect of the lessee's interest in a lease constituting a hire-purchase agreement for machinery or plant is a sum which is required to be brought into account as the whole or part of the disposal value of the machinery or plant under section 45(2) of the Finance Act 1971.”
- (8) The following shall be substituted for the definition of “anticipated normal working life ” in section 493(6) of the Taxes Act—

“ anticipated normal working life ' means, in the case of any asset, the period which might be expected, when the asset is first put into use, to be going to elapse before it is finally put out of use as being unfit for further use, it being assumed that the asset is going to be used in the normal manner and to the normal extent, and is going to be so used throughout that period.”

Status: This is the original version (as it was originally enacted).

- (9) In paragraph 14(a) of Schedule 8 to the Taxes Act, after the words “section 33 of the Capital Allowances Act 1968 ” there shall be inserted the words “or under Chapter I of Part III of the Finance Act 1971 ”; and in paragraph 14(b) of that Schedule, for the words “Chapter II of Part I of that Act” there shall be substituted the words “Chapter II of Part I of the said Act of 1968 or Chapter I of Part III of the said Act of 1971 ”.
- (10) In paragraph 9 of Schedule 2 to the Civil Aviation Act 1971, for the words “(which confers” there shall be substituted the words “and Chapter I of Part III of the Finance Act 1971 (which confer ”, and for the words “shall be made under the said Act of 1968 ” there shall be substituted the words “or first-year allowance shall be made under the said Act of 1968 or the said Act of 1971 ”.

Transitional provision as to roll-over relief

- 17 Where section 40 of the Capital Allowances Act 1968 applies on a person's replacement of any machinery or plant by other machinery or plant on the provision of which his expenditure is capital expenditure to which Chapter I of Part III of this Act applies, it shall so apply with the substitution of the following for all the words from the beginning of paragraph (a) of subsection (1) to the end of the section—
- “(a) if the amount on which the charge would have been made is greater than the capital expenditure on the provision of the new machinery or plant, the charge shall be made on an amount equal to the difference, and
 - (b) for the purposes of Chapter I of Part III of the Finance Act 1971, except the bringing into account of any disposal value, the capital expenditure on the provision of the new machinery or plant shall be treated as reduced by the amount on which the charge would have been made, or, if paragraph (a) above applies, shall be disregarded.
- (2) No election shall be made under this section if in relation to the new machinery or plant it appears that the provisions of paragraph 5, 6 or 10 of Schedule 8 to the said Act of 1971 will apply.”.