



# Capital Allowances Act 1990

## 1990 CHAPTER 1

### PART II

#### MACHINERY AND PLANT

### CHAPTER II

#### SHIPS

#### **30 First-year allowances**

- (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 ship, that person may, by notice given to the inspector not later than two years after the end of the period—
  - (a) require the postponement of the whole allowance or, in the case of a company, disclaim it, or
  - (b) require that the amount of the allowance be reduced to an amount specified in the notice, or
  - (c) require the postponement of so much of the allowance as is so specified,and a notice which contains a requirement under paragraph (b) above may also contain a requirement under paragraph (c) above with respect to the reduced amount of the allowance.
- (2) Where a notice has been given under subsection (1) above requiring the postponement of the whole or part 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  - (a) the allowance shall, as the case may require, be withheld or withdrawn, or partially withheld or withdrawn, and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) so much of the expenditure as is equal to the whole allowance shall be disregarded for all the purposes of sections 24, 25 and 26 except for the purposes of sections 24(6) and 26(1) and (2), and

- (c) subject to section 47(7)(a), the person giving the notice may claim the amount withheld or withdrawn as a first-year allowance for any subsequent chargeable period in which he carries on the trade, or may claim first-year allowances not exceeding that amount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 section.
- (4) An allowance which is postponed by virtue of this section 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 383(5)(d), 388(7) and 403(3) of the principal Act (loss relief and group relief).
- (5) In any case where a notice under subsection (1) above contains requirements under both paragraphs (b) and (c) of that subsection, any reference in subsections (2) to (4) above to the first-year allowance is a reference to the reduced amount of that allowance as specified in the notice.

### **31 Writing-down allowances**

- (1) This section and sections 32 and 33 apply in any case where—
  - (a) a person (“the shipowner”) carrying on a trade incurs expenditure on the provision of a ship for the purposes of that trade (the “actual trade”);
  - (b) the ship is not provided for leasing or letting on charter otherwise than by way of lease, or is so provided but it appears that the ship will be used for a qualifying purpose in the requisite period and will not at any time in that period be used for any other purpose, and the expenditure does not fall within section 42(1); and
  - (c) the actual trade is not a separate trade which the shipowner is treated as carrying on by virtue of section 61(1).
- (2) Subject to sections 32 and 33, it shall be assumed for the purposes of sections 24, 25 and 26 and subsections (3) to (10) below—
  - (a) that the shipowner incurred the expenditure on the provision of the ship wholly and exclusively for the purposes of a trade (“a single ship trade”) carried on by him separately from his actual trade and from any other trade which he may in fact carry on or is assumed for any purpose to carry on; and
  - (b) that, without prejudice to section 24(6)(c)(i) to (iii), the single ship trade is permanently discontinued when the ship begins to be used wholly or partly for purposes other than those of the actual trade or, if it is earlier, at a time within the requisite period when the ship begins to be used otherwise than for a qualifying purpose;

and subject to subsections (3) to (10) below, any allowance or charge which, on those assumptions, would fall to be made for any chargeable period in the case of the single ship trade shall be made for that period in the case of the actual trade.
- (3) The shipowner may, by notice given to the inspector not later than two years after the end of a chargeable period for which he has qualifying expenditure in respect of his single ship trade, require the postponement of the whole of the writing-down allowance to be made to him for that period or of so much of it as is specified in the notice.

- (4) Where notice has been given under subsection (3) above in respect of a chargeable period—
- (a) the writing-down allowance which would otherwise have been made to the shipowner for that period in respect of his single ship trade shall not be made or, as the case may be, shall be made only to the extent that the notice does not require it to be postponed; and
  - (b) the amount of any writing-down allowance falling to be made to the shipowner for any subsequent chargeable period of his single ship trade shall be determined as if the writing-down allowance referred to in paragraph (a) above had been made (or, as the case may be, had been made in full) for the chargeable period concerned; and
  - (c) on a claim made by the shipowner, the whole or part of the amount of that allowance or, as the case may be, of so much of it as was not made to him shall be treated as a writing-down allowance to be made to him for any subsequent chargeable period in which his actual trade is carried on (whether or not his single ship trade is treated as carried on in that period),
- and, where a claim under paragraph (c) above relates to only part of the amount postponed, a further claim or claims may be made under that paragraph in relation to the balance or any part thereof until the aggregate of the amounts claimed equals the amount postponed.
- (5) A claim under subsection (4)(c) above shall not affect any right of the shipowner to (or the determination of the amount of) any writing-down allowance to which, apart from the claim, he is entitled for the chargeable period to which the claim relates.
- (6) For any chargeable period of the single ship trade for which the amount of a writing-down allowance is reduced by virtue of a requirement—
- (a) in a claim made by virtue of section 24(3), or
  - (b) in a notice under section 24(4),
- any reference in subsections (3) to (5) above to the writing-down allowance is a reference to the reduced amount of the allowance, as specified in the claim or notice concerned.
- (7) For any chargeable period of the single ship trade for which the disposal value of the ship falls to be brought into account in accordance with sections 24, 25 and 26, no balancing allowance or balancing charge shall be made to or on the shipowner in respect of that trade but, in such a case—
- (a) if, apart from this subsection, a balancing allowance would have fallen to be made to the shipowner, an amount equal to that allowance shall for the purposes of sections 24, 25 and 26 be added to the shipowner's qualifying expenditure for that period in respect of his actual trade; and
  - (b) if, apart from this subsection, a balancing charge would have fallen to be made on the shipowner, an amount equal to that on which the charge would have been made shall be brought into account for that chargeable period as an item of disposal value referable to machinery or plant which, in respect of that chargeable period, falls within section 24(6).
- (8) In relation to old expenditure, in any case where subsection (7) above applies by reason of the ship beginning to be used otherwise than for a qualifying purpose—
- (a) any reference in that subsection to sections 24, 25 and 26 shall be construed as a reference to those sections as they have effect in accordance with section 41; and

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- (b) any reference in that subsection to the shipowner's actual trade shall be construed as a reference to the separate trade referred to in section 41(2).
- (9) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to the provisions of this section and sections 32 and 33.
- (10) An allowance which is postponed by virtue of this section shall not by reason of the postponement fall within the references to allowances or amounts carried forward from an earlier year or period in sections 383(5)(d), 388(7) and 403(3) of the principal Act (loss relief and group relief).
- (11) In this section "requisite period", "qualifying purpose" and "old expenditure" have the same meanings as they have for the purposes of Chapter V of this Part.
- (12) In relation to expenditure incurred before 27th July 1989, subsection (1) shall have effect with the substitution for paragraph (b) of the following paragraph—
  - "(b) the expenditure is not such that section 22(4)(c) precludes the making of a first-year allowance in respect of it and is not expenditure falling within section 42(1);"

### **32 Ships not used in the actual trade**

- (1) If the ship ceases to belong to the shipowner without having in fact been brought into use for the purposes of his actual trade, then—
  - (a) on that event, the single ship trade shall be treated as permanently discontinued but section 25(5) and (6) shall not apply,
  - (b) any writing-down allowances which, by virtue of section 31, have previously been made to the shipowner or have been postponed by him shall be withdrawn; and
  - (c) without prejudice to the operation of section 31(7), an amount equal to any writing-down allowances withdrawn by virtue of paragraph (b) above shall be added to the shipowner's qualifying expenditure in respect of his actual trade for the chargeable period related to that event.
- (2) In this section "the shipowner", "actual trade" and "single ship trade" have the same meanings as in section 31.

### **33 Exclusion of section 31**

- (1) The shipowner may by notice given to the inspector not later than two years after the end of a chargeable period of a single ship trade, not being the chargeable period relating to the permanent discontinuance of that trade, require that, with effect from the beginning of that chargeable period, section 31 shall not, or as the case may be, shall no longer apply.
- (2) Where a notice under subsection (1) above is given before any writing-down allowance has been made to the shipowner in respect of the expenditure referred to in section 31(1), the provisions of that section shall be deemed never to have applied with respect to that expenditure.
- (3) If a notice under subsection (1) above is given after any writing-down allowance has been so made, then, for the purposes of sections 24, 25, 26 and 31—
  - (a) the single ship trade shall be treated as permanently discontinued in the chargeable period to which the notice relates or, as the case may be, in its

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- basis period, but no balancing allowance or charge shall be made to or on the shipowner by reason thereof; and
- (b) the amount which, apart from this section, would be the shipowner's qualifying expenditure for that chargeable period in respect of the single ship trade shall be added to his qualifying expenditure for that period in respect of his actual trade.
- (4) The shipowner may by notice given to the inspector not later than two years after the end of a chargeable period of a single ship trade, require that an amount of expenditure specified in the notice, being less than the amount which, apart from this subsection, would be his qualifying expenditure for that period in respect of the single ship trade, shall be attributed to his actual trade.
- (5) If a notice is given under subsection (4) above, then, for the purposes of sections 24, 25, 26 and 31—
- (a) the shipowner's qualifying expenditure for that period in respect of the single ship trade shall be reduced by deducting therefrom the amount specified in the notice; and
- (b) the amount specified in the notice shall be added to his qualifying expenditure for that period in respect of his actual trade.
- (6) In this section "the shipowner", "actual trade" and "single ship trade" have the same meanings as in section 31.