

## SCHEDULES

### SCHEDULE 14

#### CAPITAL ALLOWANCES: VAT CAPITAL GOODS SCHEME

##### PART I

##### INDUSTRIAL BUILDINGS AND STRUCTURES

###### *Buildings and structures in enterprise zones*

- 1 In section 1 of the Capital Allowances Act 1990 (enterprise zones) after subsection (1) there shall be inserted—

“(1A) Where the person entitled to the relevant interest in relation to any capital expenditure incurred as mentioned in paragraphs (a) and (b) of subsection (1) above incurs an additional VAT liability in respect of any of that capital expenditure at a time when—

- (a) the building or structure is, or is to be, an industrial building or structure occupied as mentioned in paragraph (a) of that subsection, and
- (b) the site of the building or structure is in an enterprise zone and not more than 10 years have elapsed since the site was first included in the zone,

that liability shall be regarded for the purposes of this Act as capital expenditure incurred on the construction of the building or structure and, subject to the following provisions of this Act, an allowance shall accordingly be made to him under that subsection for the chargeable period related to the incurring of that liability.”

###### *Transitional relief for regional projects*

- 2 (1) In section 2 of that Act, in subsection (1) (which applies section 1, with modifications, in relation to certain regional projects) after paragraph (a) there shall be inserted—

“(aa) in subsection (1A)—

- (i) for the words “paragraphs (a) and (b)” there shall be substituted the words “paragraph (a)”; and
- (ii) paragraph (b) shall be omitted; and”.

- (2) After subsection (3) of that section there shall be inserted—

“(3A) This section also applies to any additional VAT liability incurred in respect of expenditure certified under subsection (2) or (3) above.”

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*Status: This is the original version (as it was originally enacted).*

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*Writing-down allowances*

- 3 (1) In section 3 of that Act (writing-down allowances in respect of industrial buildings and structures) after subsection (2) there shall be inserted—

“(2A) Where the person entitled to the relevant interest in relation to any capital expenditure incurred on the construction of a building or structure incurs an additional VAT liability in respect of any of that capital expenditure, then—

- (a) that liability shall be regarded for the purposes of this Act as capital expenditure incurred by him on the construction of the building or structure, and
- (b) the residue (as defined in section 8(1)) of the expenditure incurred on the construction of the building shall accordingly be deemed for the purposes of this Part to be increased as at the time at which the liability is incurred by an amount equal to the liability.

(2B) Where an additional VAT liability is incurred as mentioned in subsection (2A) above, then (subject to any further adjustment under this subsection on any later such event or under subsection (2C) or (3) below) the writing-down allowance for any chargeable period, if that chargeable period or its basis period ends after the time at which the liability is incurred, shall be the residue of the capital expenditure immediately after the incurring of the liability, reduced in the proportion (if it is less than one) which the length of the chargeable period bears to the part unexpired, at the date of the incurring of the liability, of the period of 25 years beginning with the time when the building or structure was first used.

(2C) In any case where—

- (a) an additional VAT rebate in respect of any capital expenditure incurred on the construction of a building or structure is made to the person entitled to the relevant interest in relation to that expenditure, and
- (b) the residue of that expenditure immediately before the making of the rebate is not less than the amount of the rebate,

then (subject to any further adjustment under this subsection on any later such event or under subsection (2B) above or (3) below) the writing-down allowance for any chargeable period, if that chargeable period or its basis period ends after the time at which the rebate is made, shall be the residue of that expenditure immediately after the making of the rebate, reduced in the proportion (if it is less than one) which the length of the chargeable period bears to the part unexpired, at the date of the making of the rebate, of the period of 25 years beginning with the time when the building or structure was first used.”

- (2) In subsection (3) of that section (sale of relevant interest: recalculation of future writing-down allowances) after the words “on a later sale” there shall be inserted the words “or under subsection (2B) or (2C) above”.

*Balancing allowances and balancing charges*

- 4 (1) In section 4 of that Act, in subsection (1) (events which give rise to balancing allowances and balancing charges), after paragraph (d) there shall be inserted the words “or

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

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- (e) an additional VAT rebate in respect of any of the capital expenditure is made to the person entitled to the relevant interest.”.
- (2) In subsection (2) of that section (no balancing allowance or charge on second or subsequent events when the building or structure is not an industrial building or structure) after the words “and where two or more events” there shall be inserted the words “falling within paragraphs (a) to (d) of subsection (1) above”.
- (3) After that subsection there shall be inserted—
  - “(2A) No balancing allowance shall be made by reason of an event falling within paragraph (e) of subsection (1) above; and no balancing charge shall be made by reason of such an event unless—
    - (a) the amount of the additional VAT rebate exceeds the residue of expenditure immediately before the making of that rebate, or
    - (b) there is no such residue,and in any such case a balancing charge shall be made on an amount equal to that by which the rebate exceeds the residue of expenditure immediately before the making of the rebate or, where there is no such residue, to the amount of the rebate.”
- (4) In subsection (9) of that section, in the definition of “the capital expenditure” there shall be added at the end of paragraph (a) the words “reduced by an amount equal to that of any balancing charge made in relation to that expenditure on the occurrence of an event falling within subsection (1)(e) above;”
- (5) At the end of subsection (10) of that section (balancing charge not to exceed allowances made) there shall be added the words “reduced by the amounts (if any) on which balancing charges in respect of the expenditure have been made on him for any such chargeable periods”.

*Writing off of expenditure and meaning of “residue of expenditure”*

- 5 (1) In section 8 of that Act, for subsection (2) (initial allowances to be treated as written off when building or structure first used) there shall be substituted—
  - “(2) Where an initial allowance is made in respect of any of the expenditure, then—
    - (a) if that allowance is made in respect of an additional VAT liability incurred after the building or structure is first used, the amount of that allowance shall be treated as written off as at the time at which the liability is incurred; and
    - (b) in any other case, the amount of the allowance shall be treated as written off as at the time when the building or structure is first used.”
- (2) After subsection (12) of that section there shall be inserted—
  - “(12A) Where an additional VAT rebate is made in respect of any of the expenditure, there shall be treated as written off as at the time at which the rebate is made an amount equal to the rebate.”
- (3) In subsection (13) (application of subsections (1) to (12) to the Crown) for “(12)” there shall be substituted “(12A)”.