

SCHEDULES

SCHEDULE 13

Section 115.

FIRST-YEAR ALLOWANCES FOR MACHINERY AND PLANT

- 1 The Capital Allowances Act 1990 shall be amended as follows.
- 2 In section 23(6) (interpretation of information provisions relating to first-year allowances), at the end there shall be inserted “and references in this section to a first-year allowance shall not include references to a first-year allowance in respect of expenditure to which section 22 applies by virtue only of subsection (3B) of that section.”
- 3 In section 30(2)(c) (special provision for ships), for “section” there shall be substituted “sections 46(8)(e) and”.
- 4 In section 38(m) (assets attracting first-year allowances not to be treated as short-life assets), after “section 22” there shall be inserted “(2), (3) or (3A)”.
- 5 (1) In subsection (2)(a) of section 39 (definition of a qualifying purpose), for “subsections (2) and (3)” there shall be substituted “subsections (2) to (3B)”.
- 6 (2) In subsection (8)(b) of that section (anti-avoidance provision in respect of chartering), after “new expenditure,” there shall be inserted “a first-year allowance by virtue of section 22(3B) or”.
- 6 After subsection (8) of section 42 (modifications in relation to “old expenditure” of provisions relating to overseas leasing) there shall be inserted the following subsection—
 - “(9) For the purposes of the application of this section to any expenditure to which section 22 applies by virtue only of subsection (3B) of that section, this section shall have effect—
 - (a) as if subsection (4) above included a reference to a first-year allowance made in respect of that expenditure; and
 - (b) for the purposes of paragraph (a) above, as if the reference in that subsection to an event occurring such that there is no right to that allowance included a reference to an event occurring such that, if subsection (3) included a reference to first-year allowances, there would be no such right.”
- 7 (1) In subsection (1) of section 43 (cases where section applies), for “This section” there shall be substituted “Subsections (2) and (3) below”.
- (2) After subsection (3) of that section there shall be inserted the following subsection—
 - “(4) Section 22(6A)(a) shall not prevent a first-year allowance being made in respect of expenditure incurred by any person on the provision of machinery or plant for leasing where it appears that—
 - (a) the machinery or plant will be leased as mentioned in subsection (1) above; and

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- (b) the circumstances are such that subsection (2) above will require the whole or any part of the expenditure to be treated as not falling within section 42(1);
- and any first-year allowance made by virtue of this subsection in respect of that expenditure shall be made on the same assumptions and subject to the same apportionments (if any) as it appears would, by virtue of subsection (3) above, be applicable in the case of a writing-down allowance.”
- 8 In section 44 (further provisions in relation to joint lessees in cases involving new expenditure), after subsection (4) there shall be inserted the following subsection—
- “(5) For the purposes of the application of this section to any expenditure to which section 22 applies by virtue of subsection (3B) of that section, this section shall have effect as if—
- (a) references to section 43(2) included references to section 43(4);
 - (b) references to a normal writing-down allowance included references to a first-year allowance; and
 - (c) the reference in subsection (2) above to the separate item of machinery or plant referred to in section 43(3)(a) were, in relation to a first-year allowance, a reference to the machinery or plant in respect of which, in accordance with section 43(4), that allowance is or is treated as made.”
- 9 In section 46 (recovery of allowances made in respect of plant and machinery subsequently let to a foreign resident), after subsection (7) there shall be inserted the following subsection—
- “(8) For the purposes of the application of this section to any expenditure to which section 22 applies by virtue of subsection (3B) of that section, this section shall have effect as if—
- (a) in subsection (1) above, after “qualified for a” there were inserted “first-year allowance or any”;
 - (b) in subsection (2) above—
 - (i) in paragraph (a), at the beginning there were inserted “the aggregate of any first-year allowance and”; and
 - (ii) in paragraph (b), after the word “no” there were inserted “first-year allowance or”;
 - (c) in subsection (5) above—
 - (i) after “and a” there were inserted “first-year allowance or”; and
 - (ii) in paragraph (a), for the words from “it referred” to the end of the paragraph there were substituted “that allowance were such a first-year allowance or, as the case may be, normal writing-down allowance as is referred to in paragraph (a) of that subsection and the references to the expenditure in respect of which an allowance is made were construed accordingly;”
 - (d) in subsection (6) above—
 - (i) in paragraph (a), after “for a” there were inserted “first-year allowance or”; and
 - (ii) in the words after paragraph (b), for “a normal writing-down allowance has been made” there were substituted “the

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allowance that has been made is a first-year allowance or normal writing-down allowance”;

and

(e) in subsection (7) above—

(i) in paragraph (a), after “section” there were inserted “30(2) (c) or”; and

(ii) for “section 31” there were substituted “section 30 or 31”.

10 In section 48 (information provisions in relation to joint lessees in cases involving new expenditure), after subsection (6) there shall be inserted the following subsection—

“(7) For the purposes of the application of this section to any expenditure to which section 22 applies by virtue of subsection (3B) of that section, this section shall have effect as if the references in subsections (1) and (2) above to a normal writing-down allowance included references to a first-year allowance; but nothing in this subsection shall prevent subsection (1) above from continuing to apply where the use for permitted leasing is after the expenditure has qualified for one allowance and before it qualifies for another.”

11 (1) In subsection (3) of section 50, in paragraph (i) of the definition of “old expenditure” (old expenditure to include expenditure falling within section 22) after “22” there shall be inserted “other than expenditure to which that section applies by virtue only of subsection (3B) of that section”.

(2) After subsection (4) of that section there shall be inserted the following subsection—

“(4A) In the case of expenditure to which section 22 applies by virtue only of subsection (3B) of that section, any reference in this Chapter to the expenditure having qualified for a first-year allowance is a reference to such an allowance having fallen to be made in respect of the whole or any part of that expenditure.”

12 (1) In section 81 (assets used for purposes not attracting capital allowances and assets received by way of gift), after subsection (1) there shall be inserted the following subsection—

“(1A) Subject to section 63, in a case falling within subsection (1)(a) or (b) above, the assumptions applied by that subsection in relation to sections 24 to 26—

(a) shall apply in relation to section 22 as they apply in relation to those sections but only for the purposes of first-year allowances by virtue of section 22(3B); and

(b) where those assumptions require any person to be treated as having incurred expenditure in a chargeable period related to any event, shall apply for those purposes as if they required that person to be treated as having incurred that expenditure on the date of that event.”

(2) After subsection (2) of that section there shall be inserted the following subsection—

“(2A) Where a person is treated as having incurred capital expenditure on the provision of machinery or plant by virtue of subsection (1)(a) above, he shall be treated for the purposes of section 75(1), as it has effect in relation to first-year allowances by virtue of section 22(3B), as having done so by way of purchase from a person connected with him.”

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- (3) Sub-paragraph (2) above shall have effect in cases where machinery or plant is brought into use on or after 14th April 1993.
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- (1) In subsection (1)(a) of section 147 (exclusion of double allowances), after “those Parts” there shall be inserted “or section 22”.
 - (2) In subsection (2) of that section, after “any person” there shall be inserted “an allowance is made under section 22 in respect of any capital expenditure or”.