



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 18

ADDITIONAL VAT LIABILITIES AND REBATES

Additional VAT liability

235 Additional VAT liability treated as qualifying expenditure

- (1) This section applies if a person—
 - (a) has incurred qualifying expenditure (“the original expenditure”), and
 - (b) incurs an additional VAT liability in respect of the original expenditure at a time when the plant or machinery is provided for the purposes of the qualifying activity.
- (2) The additional VAT liability is to be treated as qualifying expenditure—
 - (a) which is incurred on the same plant or machinery as the original expenditure, and
 - (b) which may be taken into account in determining the person’s available qualifying expenditure for the chargeable period in which the additional VAT liability accrues.

236 Additional VAT liability generates first-year allowance [^{F1}or annual investment allowance]

- (1) Subsection (2) applies if—
 - (a) the original expenditure was first-year qualifying expenditure, and

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- (b) the additional VAT liability is incurred at a time when the plant or machinery is provided for the purposes of the qualifying activity.
- (2) The additional VAT liability is to be regarded for the purposes of this Part as first-year qualifying expenditure which—
 - (a) is incurred on the same plant or machinery and is the same type of first-year qualifying expenditure as the original expenditure, and
 - (b) entitles the person incurring the liability to a first-year allowance for the chargeable period in which the liability accrues.
- (3) Subsections (3) and (4) of section 52 apply to first-year qualifying expenditure constituted by the additional VAT liability as they apply to other first-year qualifying expenditure.
- [^{F2}(3A) Subsection (3B) applies if—
 - (a) the original expenditure was AIA qualifying expenditure, and
 - (b) the additional VAT liability is incurred at a time when the plant or machinery is provided for the purposes of the qualifying activity.
- (3B) The additional VAT liability is to be regarded for the purposes of this Part as AIA qualifying expenditure incurred on the same plant or machinery as the original expenditure in the chargeable period in which the liability accrues.
- (3C) Section 51A(7) applies to AIA qualifying expenditure constituted by the additional VAT liability as it applies to other AIA qualifying expenditure.]
- (4) This section is subject to sections 237 and 241.

Textual Amendments

- F1** Words in s. 236 heading inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 10\(3\)](#)
- F2** S. 236(3A)-(3C) inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 10\(2\)](#)

237 Exceptions to section 236

- (1) An additional VAT liability is not [^{F3}AIA qualifying expenditure or] first-year qualifying expenditure if at the time when the liability is incurred the plant or machinery is used for overseas leasing which is not protected leasing.

^{F4}(2)

Textual Amendments

- F3** Words in s. 237(1) inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 11](#)
- F4** S. 237(2) omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 76\(5\)\(e\)](#) (with [s. 76\(7\)\(8\)](#))

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross
Heading: Additional VAT liability.