
*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2002, Part 1. (See end of Document for details)*

SCHEDULES

SCHEDULE 21

FIRST-YEAR ALLOWANCES FOR EXPENDITURE WHOLLY FOR A RING FENCE TRADE

PART 1

PLANT AND MACHINERY

Introductory

- 1 Part 2 of the Capital Allowances Act 2001 (c. 2) (plant and machinery allowances) is amended as follows.

Types of expenditure for which first-year allowances available

- 2 In section 39, after the entry relating to section 45E (which is added by Schedule 20 to this Act) add “, or

section 45F	expenditure on plant and machinery for use wholly in a ring fence trade.”.
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First-year qualifying expenditure: plant and machinery for use wholly in a ring fence trade

- 3 After section 45E (which is inserted by Schedule 20 to this Act) insert—

“45F Expenditure on plant and machinery for use wholly in a ring fence trade

- (1) Expenditure is first-year qualifying expenditure if—
- (a) it is incurred on or after 17th April 2002,
 - (b) it is incurred by a company,
 - (c) it is incurred on the provision of plant or machinery for use wholly for the purposes of a ring fence trade, and
 - (d) it is not excluded by section 46 (general exclusions).
- (2) This section is subject to section 45G (plant or machinery used for less than five years in a ring fence trade).
- (3) In this section “ring fence trade” means a ring fence trade in respect of which tax is chargeable under section 501A of the Taxes Act 1988 (supplementary charge in respect of ring fence trades).”.

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Plant or machinery used for less than five years in a ring fence trade

4 After section 45F insert—

“45G Plant or machinery used for less than five years in a ring fence trade

- (1) Expenditure incurred by a company on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45F if the plant or machinery—
 - (a) is at no time in the relevant period used in a ring fence trade carried on by the company or a company connected with it, or
 - (b) is at any time in the relevant period used for a purpose other than that of a ring fence trade carried on by the company or a company connected with it.
- (2) For the purposes of this section “the relevant period” means whichever of the following periods, beginning with the incurring of the expenditure, first ends, namely—
 - (a) the period ending with the fifth anniversary of the incurring of the expenditure, or
 - (b) the period ending with the day preceding the first occasion on which the plant or machinery, after becoming owned by the company which incurred the expenditure, is not owned by a company which is either that company or a company connected with it.
- (3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).
- (4) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, he must give notice to the Inland Revenue specifying how the return needs to be amended.
- (5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.
- (6) In this section “ring fence trade” has the same meaning as in section 45F.”.

General exclusions affecting first-year qualifying expenditure

5 In section 46, in subsection (1) (expenditure which is subject to the general exclusions) after the entry relating to section 45E (which is added by Schedule 20 to this Act) add “, or

section 45F

(expenditure on plant and machinery for use wholly in a ring fence trade).”.

Amount of first-year allowances

6 In section 52(3), in the Table, after the entry relating to expenditure qualifying under section 45E (which is added by Schedule 20 to this Act) add—

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“Expenditure qualifying under section 45F (expenditure on plant and machinery for use wholly in a ring fence trade) which is long-life asset expenditure	24%
Expenditure qualifying under section 45F (expenditure on plant and machinery for use wholly in a ring fence trade) other than long-life asset expenditure	100%”.

Penalty for failure to provide information etc

- 7 (1) The Taxes Management Act 1970 (c. 9) is amended as follows.
- (2) In the second column of the Table in section 98, in the entry relating to requirements imposed by provisions of the Capital Allowances Act, after “45B(5) and (6),” insert “ 45G(4) and (5), ”.

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