



Finance Act 2006

2006 CHAPTER 25

PART 5

OIL

Ring fence trades

153 Election to defer capital allowances

- (1) This section applies if—
 - (a) a company carries on a ring fence trade in an accounting period beginning on or after 1st January 2006,
 - (b) relevant expenditure is incurred for the purposes of or in relation to the ring fence trade (see subsections (4) to (7)), and
 - (c) the relevant expenditure would (but for this section) be treated as incurred for the purposes of CAA 2001 in the period of 12 months ending with 31st December 2005.
- (2) The company may elect for the relevant expenditure to be treated instead as if it were incurred on the first day of the company's first accounting period beginning on or after 1st January 2006.
- (3) The election—
 - (a) has effect for the purposes of CAA 2001 other than those of section 45G (expenditure not first-year qualifying expenditure under section 45F if plant or machinery used for less than 5 years in a ring fence trade), and
 - (b) must be made by notice given to an officer of Revenue and Customs on or before 31st December 2007.
- (4) Expenditure is relevant expenditure if it falls within any of Cases A to C.
- (5) Expenditure falls within Case A if—

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, Section 153. (See end of Document for details)

- (a) it is first-year qualifying expenditure on the provision of plant or machinery under section 45F of CAA 2001 (expenditure on plant and machinery for use wholly in a ring fence trade), and
 - (b) no disposal event (see subsection (8)) in relation to the plant or machinery occurs in the relevant period.
- (6) Expenditure falls within Case B—
- (a) if it is first-year qualifying expenditure under section 416B of CAA 2001 (mineral extraction allowances: expenditure incurred by a company for purposes of a ring fence trade),
 - (b) if no disposal event in relation to any asset representing the expenditure occurs in the relevant period,
 - (c) if (or so far as) it is expenditure to which no part of any capital sum received by the company in the relevant period is reasonably attributable under section 425(2) of CAA 2001, and
 - (d) if no entitlement to a balancing allowance for a chargeable period in respect of the expenditure arises under any of sections 426 to 431 of CAA 2001 as a result of an event that occurs in the relevant period (as well as in that chargeable period).

The reference in paragraph (b) to any asset representing the expenditure is to be read in accordance with section 416B(4) of CAA 2001.

- (7) Expenditure falls within Case C if—
- (a) it is qualifying expenditure on research and development under Part 6 of CAA 2001 where the ring fence trade is the trade by reference to which the expenditure is qualifying expenditure, and
 - (b) no disposal event in relation to any asset representing the expenditure occurs in the relevant period.

- (8) In this section—

“disposal event”—

- (a) in relation to first-year qualifying expenditure under section 45F of CAA 2001, means an event of a kind that requires a disposal value to be brought into account under Part 2 of that Act (whether under section 61(1) or otherwise),
- (b) in relation to first-year qualifying expenditure under section 416B of CAA 2001, means an event of a kind that requires a disposal value to be brought into account under section 421 or 422 of that Act,
- (c) in relation to qualifying expenditure on research and development under Part 6 of CAA 2001, means an event of a kind that requires a disposal value to be brought into account under section 443(1) of that Act,

“the relevant period”, in relation to any expenditure for the purposes of or in relation to a company's ring fence trade, means the period—

- (a) beginning with the day on which the expenditure would (but for this section) be treated as incurred for the purposes of CAA 2001, and
- (b) ending with the first day of the company's first accounting period beginning on or after 1st January 2006,

“ring fence trade” means a ring fence trade in respect of which tax is chargeable under section 501A of ICTA (supplementary charge in respect of ring fence trades).

Changes to legislation:

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