

# **CORPORATION TAX (NORTHERN IRELAND) ACT 2015**

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## **EXPLANATORY NOTES**

### **SECTION 2 AND SCHEDULE 1: CAPITAL ALLOWANCES**

#### ***Part 2 of Schedule 1***

109. **Part 2** amends Part 1 of CAA 2001. Although it uses different terms, new section 6A inserted into Part 1 of CAA 2001 imports the definitions of Northern Ireland companies in Part 8B of CTA 2010 into CAA 2001. A “NIRE company” is a company where the large company condition applies and a “Northern Ireland SME company” is one where the SME condition applies.
110. There are also definitions in new section 6B(3) and (4) which refer to Northern Ireland firms (section 357WA) whose profits are determined under Chapter 6 or 7 of Part 8B of CTA 2010 respectively.
111. New section 6C also introduces the term “NI rate activity” for the purposes of CAA 2001. An activity, the profits or losses of which are Northern Ireland profits or losses under Part 8B of CTA 2010, is an “NI rate activity”.
112. Under new section 6D the NI rate activity is treated for the purposes of CAA 2001 as a separate trade, distinct from all other activities carried out by a NIRE company or a Northern Ireland SME company. The provision also provides that the NI rate activity carried on by a Northern Ireland firm is to be treated as a separate trade for the purposes of determining the profits of the firm under section 1259 of CTA 2009.
113. New section 6E sets out how allowances are given and charges imposed under the parts of CAA 2001 which deal with: plant and machinery allowances; business premises renovation allowances; mineral extraction allowances; research and development allowances; and dredging allowances. These rules also cover how allowances and charges are given effect in a company’s tax computation. In the case of an allowance or charge related to an NI rate activity, allowances or charges are treated as a deduction from, or addition to, the NI profits or losses of the period as appropriate. In the case of an allowance or charge related to a main rate activity, allowances or charges are treated as deductions from, or additions to, mainstream profits or losses of the period as appropriate.