

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

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## **EXPLANATORY NOTES**

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

#### ***Parts 5 and 6 of Schedule 1***

141. **Part 5** provides for consequential amendments of CAA 2001.
142. **Part 6** sets out rules to cover the transition to the Northern Ireland corporation tax regime for the purposes of CAA 2001.
143. **Paragraph 19** defines the “transition period” for a company as the first accounting period in which the Northern Ireland rate applies to the corporation tax profits and losses of a company or partnership.
144. **Paragraph 20** applies to a company or partnership if in the transition period a company is a NIRE company or Northern Ireland SME company or the partnership is a NI Chapter 6 or Chapter 7 firm (as defined by new section 6B, inserted by paragraph 2 of Schedule 1 to the Act). It applies if, as a result of section 6D of CAA 2001 (inserted by paragraph 2), an NI rate activity begins to be treated for the purposes of Part 2 of CAA 2001 (plant and machinery) as a separate qualifying activity. Paragraph 20 provides that any unrelieved qualifying expenditure on plant and machinery to be carried forward into the transition period is to be apportioned on a just and reasonable basis into separate pools for purposes of the NI rate activity and main rate activity. The paragraph provides that this does not create a disposal event.
145. **Paragraph 21** also applies to a company or partnership if in the transition period a company is a NIRE company or Northern Ireland SME company or the partnership is a NI Chapter 6 or Chapter 7 firm. It applies if, as a result of section 6D of CAA 2001, an NI rate activity begins to be treated for the purposes of Part 7 of CAA 2001 (know-how allowances) as a separate qualifying activity. Paragraph 21 provides that any unrelieved qualifying expenditure on know-how to be carried forward into the transition period is to be apportioned on a just and reasonable basis into separate pools for purposes of the NI rate activity and main rate activity.