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*Changes to legislation: There are currently no known outstanding effects for the Corporation Tax (Northern Ireland) Act 2015. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 1

Section 2

#### CAPITAL ALLOWANCES

##### PART 1

###### INTRODUCTORY

- 1 CAA 2001 is amended as follows.

##### PART 2

###### AMENDMENTS OF PART 1 OF CAA 2001

- 2 After section 6 insert—

##### “CHAPTER 1A

###### TRADES ATTRACTING NORTHERN IRELAND RATE OF CORPORATION TAX

##### **6A “NIRE company” and “Northern Ireland SME company”**

In this Act—

“NIRE company” means a company that is a Northern Ireland company for the purposes of Part 8B of CTA 2010 by virtue of the large company condition in section 357KA of that Act;

“Northern Ireland SME company” means a company that is a Northern Ireland company for the purposes of Part 8B of CTA 2010 by virtue of the SME condition in section 357KA of that Act.

##### **6B “Northern Ireland firm” etc**

- (1) This section has effect for the purposes of this Act.
- (2) “Northern Ireland firm” has the meaning given by section 357WA of CTA 2010.
- (3) If section 357WC of CTA 2010 (Northern Ireland profits etc of firm determined under Chapter 6 of Part 8B of that Act) applies to a Northern Ireland firm for a chargeable period, the partnership is a “Northern Ireland Chapter 6 firm” for any purpose for which that section applies.
- (4) If section 357WD of CTA 2010 (Northern Ireland profits etc of firm determined under Chapter 7 of Part 8B of that Act) applies to a Northern

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Ireland firm for a chargeable period, the partnership is a “Northern Ireland Chapter 7 firm” for any purpose for which that section applies.

### 6C “NI rate activity”

(1) In this Act “NI rate activity” means—

- (a) a qualifying trade carried on by a Northern Ireland SME company, except to the extent that it is an excluded activity,
- (b) a qualifying trade, other than an excluded financial trade, carried on by a NIRE company, to the extent that the trade—
  - (i) is carried on through a Northern Ireland regional establishment of the company, and
  - (ii) does not consist of an excluded activity,
- (c) the back-office activities of an excluded financial trade carried on by a Northern Ireland SME company which has made an election for the purposes of section 357KB(2) of CTA 2010,
- (d) the back-office activities of an excluded financial trade carried on by a NIRE company which has made an election for the purposes of section 357KB(2) of CTA 2010, to the extent that those activities are carried on through the Northern Ireland regional establishment of the company,
- (e) a qualifying partnership trade carried on by a Northern Ireland Chapter 6 firm, except to the extent that it is an excluded activity,
- (f) a qualifying partnership trade, other than an excluded financial trade, carried on by a Northern Ireland Chapter 7 firm, to the extent that the trade—
  - (i) is carried on through a Northern Ireland regional establishment of the partnership, and
  - (ii) does not consist of an excluded activity,
- (g) the back-office activities of an excluded financial trade carried on by a Northern Ireland Chapter 6 firm which has made an election for the purposes of section 357WB(2) of CTA 2010, or
- (h) the back-office activities of an excluded financial trade carried on by a Northern Ireland Chapter 7 firm which has made an election for the purposes of section 357WB(2) of CTA 2010, to the extent that those activities are carried on through the Northern Ireland regional establishment of the partnership.

(2) In subsection (1)—

“back-office activities” has the same meaning as in Part 8B of CTA 2010 (see section 357XI of that Act);

“excluded financial trade” means a trade that is an excluded trade for the purposes of Part 8B of CTA 2010 merely because it falls within one or more of the following provisions of that Act—

- (a) section 357XB (lending and investment),
- (b) section 357XC (investment management), or
- (c) section 357XE (re-insurance trade);

“Northern Ireland regional establishment” has the same meaning as in Part 8B of CTA 2010 (see Chapter 5 of that Part as read, in relation to a partnership, with section 357WA(4) of that Act);

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“qualifying partnership trade” has the same meaning as in Part 8B of CTA 2010 (see section 357WB of that Act);

“qualifying trade” has the same meaning as in Part 8B of CTA 2010 (see section 357KB of that Act).

#### **6D NI rate activity treated as separate trade**

- (1) For the purposes of this Act, the NI rate activity carried on by a Northern Ireland SME company or a NIRE company is to be treated as a separate trade, distinct from any other activities carried on by the company as part of the trade.
- (2) For the purposes of the corporate partner calculation, the NI rate activity carried on by a Northern Ireland firm is to be treated as a separate trade, distinct from any other activities carried on by the firm as part of the trade.
- (3) In this Act “the corporate partner calculation”, in relation to a trade carried on by a Northern Ireland firm, means the determination of the allowances and charges to which effect is to be given under this Act in determining under subsection (3) or (4) of section 1259 of CTA 2009 (calculation of firm's profits and losses) the amount of the profits of the trade chargeable to corporation tax.

#### **6E Giving effect to allowances and charges: NI rate activity cases**

- (1) This section applies if a Northern Ireland SME company or a NIRE company is entitled or liable to—
  - (a) an allowance or charge under Part 2 (plant and machinery allowances) where the qualifying activity is a trade,
  - (b) an allowance or charge under Part 3A (business premises renovation allowances),
  - (c) an allowance or charge under Part 5 (mineral extraction allowances),
  - (d) an allowance or charge under Part 6 (research and development), or
  - (e) an allowance under Part 9 (dredging allowances).
- (2) For the purposes of the corporate partner calculation, this section also applies if a Northern Ireland firm is entitled or liable to an allowance or charge falling within any of subsection (1)(a) to (e).
- (3) The allowance or charge is to be given effect in calculating the profits of the trade, by treating—
  - (a) the allowance as an expense of the trade, and
  - (b) the charge as a receipt of the trade.
- (4) If the allowance or charge relates to an NI rate activity, it is treated for the purposes of Part 8B of CTA 2010 (trading profits taxable at the Northern Ireland rate) as forming part of the Northern Ireland profits or Northern Ireland losses of the trade.
- (5) If the allowance or charge relates to a main rate activity, it is treated for the purposes of Part 8B of CTA 2010 as forming part of the mainstream profits or mainstream losses of the trade.
- (6) In this section—

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- (a) “the trade” means the trade carried on by the company or partnership (disregarding for this purpose section 6D), and
- (b) “main rate activity” means so much of the trade as is not an NI rate activity.”

### PART 3

#### AMENDMENTS OF PART 2 OF CAA 2001: PLANT AND MACHINERY ALLOWANCES

- 3 (1) Section 12 (expenditure incurred before qualifying activity carried on) is amended as follows.
- (2) The existing provision becomes subsection (1) of the section.
- (3) After that subsection insert—
- “(2) Subsection (3) applies if—
- (a) a company that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
  - (b) the activities for the purposes of which the expenditure is incurred would, if the company were a NIRE company, be an NI rate activity treated as a separate trade, and
  - (c) the company subsequently becomes a NIRE company.
- (3) The expenditure is to be treated as incurred on the first day of the first chargeable period in which the company is a NIRE company.
- (4) Subsection (5) applies if—
- (a) a partnership that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
  - (b) the activities for the purposes of which the expenditure is incurred would, if the partnership were a Northern Ireland Chapter 7 firm, be an NI rate activity treated as a separate trade, and
  - (c) the partnership subsequently becomes a Northern Ireland Chapter 7 firm.
- (5) The expenditure is to be treated for the purposes of this Part so far as relating to the corporate partner calculation as incurred on the first day of the first chargeable period in which the partnership is a Northern Ireland Chapter 7 firm.
- (6) In this section “Northern Ireland regional establishment” has the same meaning as in Part 8B of CTA 2010 (see Chapter 5 of that Part as read, in relation to a partnership, with section 357WA(4) of that Act).”
- 4 In section 15 (qualifying activities), after subsection (2) insert—
- “(2ZA) Where an activity of a company is treated by subsection (1) of section 6D (NI rate activity treated as separate trade) as a separate trade, that activity is an activity separate from any other activity of the company.
- (2ZB) Where an activity of a Northern Ireland firm is treated by subsection (2) of section 6D as a separate trade for the purposes of the corporate partner calculation, that activity is for the purposes of this Part, so far as relating

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to the corporate partner calculation, an activity separate from every other activity of the Northern Ireland firm.”

5 After section 51J insert—

**“51JA Sixth restriction: allocation where profits chargeable at NI rate**

- (1) This section applies if—
- (a) section 51B, 51C, 51D or 51E applies, and
  - (b) the relevant AIA qualifying expenditure for the purposes of the section in question includes expenditure incurred in a low-rate year in respect of an NI rate activity.
- (2) For the purposes of this section expenditure is “incurred in a low-rate year” if it is incurred in a financial year for which the Northern Ireland rate is lower than the main rate.
- (3) The maximum annual investment allowance that may be allocated under section 51B, 51C, 51D or 51E to AIA qualifying expenditure incurred in a low-rate year in respect of qualifying activities other than NI rate activities is determined by the formula—

$$A \times \frac{T - NI}{T}$$

where—

A is the amount of the single annual investment allowance that would otherwise be available for allocation;

T is so much of the relevant AIA qualifying expenditure for the purposes of the section in question as is incurred in a low-rate year;

NI is so much of the relevant AIA qualifying expenditure for the purposes of the section in question as is expenditure incurred in a low-rate year in respect of an NI rate activity.”

6 (1) Section 61 (disposal events and disposal values) is amended as follows.

(2) In the Table in subsection (2)—

- (a) in item 1, in the first column, after “item 2” insert “ or 2A ”, and
- (b) after item 2 insert—

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“2A. Sale of the plant or machinery where—	The market value of the plant or machinery at the time of the sale.”
(a) the sale is at less than market value,	
(b) the condition in subsection (4A) is met by the seller, and	
(c) the condition in subsection (4B) is met by the buyer.	

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(3) After subsection (4) insert—

“(4A) The condition referred to in paragraph (b) of item 2A in the Table is met by the seller if—

- (a) the seller is—
  - (i) a company, or
  - (ii) a partnership whose partners include one or more companies, and
- (b) before the sale the plant or machinery is used wholly or partly for the purposes of a qualifying activity that is not an NI rate activity.

(4B) The condition referred to in paragraph (c) of item 2A in the Table is met by the buyer if—

- (a) the buyer is a Northern Ireland SME company, a NIRE company or a Northern Ireland firm in the chargeable period of the buyer in which the plant or machinery is bought,
- (b) the buyer's expenditure on the acquisition of the plant or machinery is qualifying expenditure under this Part or Part 6 (research and development allowances), and
- (c) the plant or machinery is used by the buyer wholly or partly for the purposes of an NI rate activity.”

7 After section 66A insert—

*“Effect of changes in Northern Ireland  
status of SME company or SME partnership*

### **66B SME company entering NI corporation tax regime**

(1) This section applies if—

- (a) in a chargeable period beginning after the commencement day (“the relevant period”) a company is a Northern Ireland SME company,
- (b) the company was neither a Northern Ireland SME company nor a NIRE company in the previous chargeable period, and
- (c) the company has not become a Northern Ireland SME company in the relevant period as a result of an election under section 357KB(2) of CTA 2010 (back-office activities of financial trades).

(2) The fact that assets which continue to be used in the relevant period for the purposes of the trade actually carried on by the company are as a result of section 15(2ZA) treated as ceasing to be used for the purposes of a main rate activity and beginning to be used for the purposes of an NI rate activity does not give rise to a disposal event within 61(1)(e) or (f).

(3) If during the relevant period the only qualifying activity carried on by the company is an NI rate activity, the amount of any unrelieved qualifying expenditure in any main pool or special rate pool falling to be carried forward to the relevant period is to be treated as relating to plant and machinery used for the purposes of the NI rate activity.

(4) If during the relevant period the company carries on both an NI rate activity and a main rate activity—

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- (a) the amount of any unrelieved qualifying expenditure in any main pool falling to be carried forward under section 59 to the relevant period is to be apportioned on a just and reasonable basis to become—
    - (i) a main pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
    - (ii) a main pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity, and
  - (b) the amount of any unrelieved qualifying expenditure in any special rate pool falling to be carried forward under section 59 to the relevant period is to be apportioned on a just and reasonable basis to become—
    - (i) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
    - (ii) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity.
- (5) “Main rate activity” means the company's trade except so far as it is an NI rate activity.
- (6) “The commencement day” has the meaning given by section 5(4) of the Corporation Tax (Northern Ireland) Act 2015.

#### **66C SME partnership entering NI corporation tax regime**

For the purposes of the corporate partner calculation, section 66B applies in relation to a partnership as if—

- (a) references to a company were references to a partnership,
- (b) references to a Northern Ireland SME company were references to a Northern Ireland Chapter 6 firm,
- (c) the reference to a NIRE company were a reference to a Northern Ireland Chapter 7 firm,
- (d) the reference to section 357KB(2) of CTA 2010 were a reference to section 357WB(2) of that Act, and
- (e) the reference to section 15(2ZA) were a reference to section 15(2ZB).

#### **66D SME company leaving NI corporation tax regime**

- (1) This section applies if—
  - (a) in a chargeable period beginning after the commencement day (“the relevant period”) a company is neither a Northern Ireland SME company nor a NIRE company,
  - (b) the company was a Northern Ireland SME company in the previous chargeable period, and
  - (c) during the relevant period the company carries on a qualifying activity.
- (2) The fact that assets which continue to be used in the relevant period for the purposes of the trade actually carried on are as a result of section 15(2ZA)

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treated as ceasing to be used for the purposes of an NI rate activity and beginning to be used for the purposes of the qualifying activity mentioned in subsection (1)(c) does not give rise to a disposal event within 61(1)(e) or (f).

- (3) Any unrelieved qualifying expenditure which—
- (a) relates to plant or machinery used for the purposes of an NI activity, and
  - (b) falls to be carried forward to the relevant period,
- is to be treated as relating to the qualifying activity that the company carries on in the relevant period.
- (4) “The commencement day” has the meaning given by section 5(4) of the Corporation Tax (Northern Ireland) Act 2015.

#### **66E SME partnership leaving NI corporation tax regime**

For the purposes of the corporate partner calculation, section 66D applies in relation to a partnership as if—

- (a) references to a company were references to a partnership,
- (b) references to a Northern Ireland SME company were references to a Northern Ireland Chapter 6 firm,
- (c) the reference to a NIRE company were a reference to a Northern Ireland Chapter 7 firm, and
- (d) the reference to section 15(2ZA) were a reference to section 15(2ZB).”

8 After section 212 insert—

### **“CHAPTER 16ZA**

#### **ASSET PROVIDED OR USED ONLY PARTLY FOR NI RATE ACTIVITY**

#### **212ZA Apportionment of expenditure incurred partly for NI rate activity**

- (1) If in a chargeable period a company has incurred qualifying expenditure on the provision of plant or machinery—
- (a) partly for the purposes of an NI rate activity, and
  - (b) partly for the purposes of a main rate activity,
- then for the purposes of any annual investment allowance or first year allowance to which the company is entitled the expenditure is to be apportioned between the NI rate activity and the main rate activity on a basis which is just and reasonable having regard to the relevant circumstances.
- (2) The relevant circumstances include, in particular, the extent to which it appears that the plant or machinery is likely to be used for purposes of the NI rate activity and the extent to which it appears that it is likely to be used for the main rate activity.
- (3) If the allowance falls to be reduced under section 205 or 210, it is the reduced amount that is apportioned under subsection (1).



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### **212ZB Single asset pool etc**

- (1) Qualifying expenditure to which this subsection applies, if allocated to a pool, must be allocated to a single asset pool.
- (2) Subsection (1) applies to qualifying expenditure incurred by a company carrying on both an NI rate activity and a main rate activity where the expenditure is incurred—
  - (a) partly for the purposes of the NI rate activity, and
  - (b) partly for the purposes of the main rate activity.
- (3) If a company is required to bring a disposal value into account in a pool for a chargeable period because the plant or machinery begins to be used for the purposes of an NI rate activity as well as for the purposes of a main rate activity, or begins to be used for the purposes of a main rate activity as well as for the purposes of an NI rate activity, an amount equal to that disposal value is allocated (as expenditure on the plant or machinery) to a single asset pool for that chargeable period.
- (4) In the case of a single asset pool under subsection (1) or (3), there is no disposal event merely because the plant or machinery begins to be used to a greater extent for the purposes of the NI rate activity or for the purposes of the main rate activity.

### **212ZC Allowances and charges on expenditure in single asset pool**

- (1) This section applies if a company's expenditure is in a single asset pool under section 212ZB(1) or (3).
- (2) The amount of—
  - (a) any writing-down allowance or balancing allowance to which the company is entitled, or
  - (b) any balancing charge to which the company is liable,is to be apportioned between the NI rate activity and the main rate activity on a basis which is just and reasonable having regard to the relevant circumstances.
- (3) The relevant circumstances include, in particular, the extent to which it appears that the plant or machinery was used in the chargeable period in question for the purposes of the NI rate activity and the extent to which it was used in the chargeable period in question for the purposes of the main rate activity.

### **212ZD Effect of significant change in balance of use**

- (1) This section applies if—
  - (a) expenditure is allocated to a single asset pool under this Chapter,
  - (b) there is such a change of circumstances as would make it appropriate for any apportionment falling to be made under section 212ZC—
    - (i) for the chargeable period in which the change takes place (“the relevant chargeable period”), or
    - (ii) for any subsequent chargeable period,

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to be substantially different from the apportionment that would have been appropriate apart from the change,

- (c) no disposal value in respect of the plant and machinery would, apart from this section, fall to be brought into account for the relevant chargeable period, and
- (d) the market value of the plant and machinery at the end of the relevant chargeable period exceeds the available qualifying expenditure by more than £1 million.

(2) If this section applies—

- (a) a disposal value is required to be brought into account in the single asset pool for the relevant chargeable period, and
- (b) section 212ZA applies as if, at the beginning of the following chargeable period, expenditure has been incurred on the provision of the plant or machinery of an amount equal to the disposal value brought into account as a result of paragraph (a).

#### **212ZE Application of Chapter to partnerships**

For the purposes of the corporate partner calculation, this Chapter applies in relation to partnerships as if—

- (a) references to a company were references to a partnership,
- (b) references to a Northern Ireland SME company were references to a Northern Ireland Chapter 6 firm,
- (c) references to a NIRE company were references to a Northern Ireland Chapter 7 firm, and
- (d) the reference in section 212ZA(1) to an annual investment allowance were omitted.

#### **212ZF “Main rate activity”**

In this Chapter “main rate activity” means an activity other than an an NI rate activity.”

9 In section 247 (giving effect to allowances and charges: trades), after subsection (1) insert—

“(1A) Subsection (1) is subject to section 6E (giving effect to allowances and charges: NI rate activity cases).”

<sup>F1</sup>10 .....

#### **Textual Amendments**

**F1** Sch. 1 para. 10 omitted (16.11.2017) by virtue of Finance (No. 2) Act 2017 (c. 32), Sch. 7 para. 29

## PART 4

### AMENDMENTS OF CAA 2001 RELATING TO OTHER ALLOWANCES

#### *Business premises renovation allowances*

- 11 (1) Section 360Z (giving effect to allowances and charges: trades) is amended as follows.
- (2) In subsection (3), for the words from “subject to” onwards substitute “subject to—
- (a) section 6E (giving effect to allowances and charges: NI rate activity cases), and
  - (b) the following provisions of this Chapter.”
- (3) After that subsection insert—
- “(4) If a company or partnership is as a result of section 6D (NI rate activity treated as separate trade) treated for the purposes of this Act as carrying on two separate trades, the question of whether an allowance or charge relates to the NI rate activity or the main rate activity is to be determined by reference to the purposes for which the qualifying building is used.
- (5) If the qualifying building is used both for the purposes of the NI rate activity and for the purposes of the main rate activity, allowances and charges are to be apportioned on a just and reasonable basis between the trade consisting of the NI rate activity and the trade consisting of the main rate activity, according to the proportion of use for the purposes of the NI rate activity.
- (6) In this section “main rate activity” means an activity other than an NI rate activity.”

#### *Mineral extraction allowances*

- 12 In section 394 (mineral extraction allowances), after subsection (2) insert—
- “(2A) If a company or partnership is as a result of section 6D (NI rate activity treated as separate trade) treated for the purposes of this Act as carrying on two separate trades, each of them is for the purposes of this Part to be treated as a mineral extraction trade if the separate trades would together be so treated.”
- 13 (1) Section 432 (giving effect to allowances and charges) is amended as follows.
- (2) The existing provision becomes subsection (1) of the section.
- (3) After that subsection insert—
- “(2) This section is subject to section 6E (giving effect to allowances and charges: NI rate activity cases).”

#### *Research and development*

- 14 After section 439 insert—
- “439A Qualifying expenditure incurred for purposes of NI rate activity**
- (1) Subsection (2) applies if—

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- (a) a company that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
  - (b) the activities for the purposes of which the expenditure is incurred would, if the company were a NIRE company, be an NI rate activity treated as a separate trade, and
  - (c) the company subsequently becomes a NIRE company.
- (2) The expenditure is to be treated as incurred on the first day of the first chargeable period in which the company is a NIRE company.
- (3) Subsection (4) applies if—
- (a) a partnership that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
  - (b) the activities for the purposes of which the expenditure is incurred would, if the partnership were a Northern Ireland Chapter 7 firm, be an NI rate activity treated as a separate trade, and
  - (c) the partnership subsequently becomes a Northern Ireland Chapter 7 firm.
- (4) The expenditure is to be treated as incurred on the first day of the first chargeable period in which the partnership is a Northern Ireland Chapter 7 firm.
- (5) In this section “Northern Ireland regional establishment” has the same meaning as in Part 8B of CTA 2010 (see Chapter 5 of that Part as read, in relation to a partnership, with section 357WA(4) of that Act).”
- 15 (1) Section 450 (giving effect to allowances and charges) is amended as follows.
- (2) The existing provision becomes subsection (1) of the section.
- (3) After that subsection insert—
- “(2) This section is subject to section 6E (giving effect to allowances and charges: NI rate activity cases).”

#### *Dredging allowances*

- 16 In section 484 (dredging allowances), after subsection (2) insert—
- “(2A) If a company or partnership is as a result of section 6D (NI rate activity treated as separate trade) treated for the purpose of this Act as carrying on two separate trades, each of them is for the purposes of this Part to be treated as a qualifying trade if the separate trades would together be so treated.”
- 17 (1) Section 489 (giving effect to allowances) is amended as follows.
- (2) The existing provision becomes subsection (1) of the section.
- (3) After that subsection insert—
- “(2) This section is subject to section 6E (giving effect to allowances and charges: NI rate activity cases).”

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## PART 5

### CONSEQUENTIAL AMENDMENTS

18 In Schedule 1 (index of defined expressions) insert at the appropriate places—

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“the corporate partner calculation (in section 6D(3))  
relation to a trade carried on by a Northern  
Ireland firm)

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“NI rate activity section 6C”

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“NIRE company section 6A”

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“Northern Ireland Chapter 6 firm section 6B(3)”

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“Northern Ireland Chapter 7 firm section 6B(4)”

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“Northern Ireland firm section 6B(2)”

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“Northern Ireland SME company section 6A”.

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## PART 6

### TRANSITIONAL PROVISIONS

#### *Interpretation*

- 19 (1) In this Part of this Schedule “the transition period”, in relation to a company or partnership, means the accounting period of the company or partnership that begins, or is treated by section 5(6) as beginning, on the commencement day.
- (2) In sub-paragraph (1) “the commencement day” has the meaning given by section 5(4).

#### *Plant and machinery allowances: allocation of unrelieved expenditure to pools*

- 20 (1) This paragraph applies to a company or partnership if—
- in the case of a company, the company is a NIRE company or [F2an SME (Northern Ireland employer) company] in the transition period, or
  - in the case of a partnership, the partnership is a Northern Ireland Chapter 6 firm or a Northern Ireland Chapter 7 firm in the transition period.
- (2) If at the beginning of the transition period—
- an NI rate activity carried on by the company begins to be treated by section 15(2ZA) of CAA 2001 as a separate qualifying activity for the purposes of Part 2 of that Act (plant and machinery allowances), or

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- (b) an NI rate activity carried on by the partnership begins to be treated by section 15(2ZB) of CAA 2001 as a separate qualifying activity for the purposes of Part 2 of that Act so far as relating to the corporate partner calculation,

the fact that the NI rate activity begins to be so treated does not give rise to a disposal event within section 61(1)(e) or (f) of that Act.

- (3) The amount of any unrelieved qualifying expenditure in any main pool falling to be carried forward under section 59 of CAA 2001 to the transition period is to be apportioned on a just and reasonable basis to become—
- (a) a main pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
  - (b) a main pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity.
- (4) The amount of any unrelieved qualifying expenditure in any special rate pool falling to be carried forward under section 59 of CAA 2001 to the transition period is to be apportioned on a just and reasonable basis to become—
- (a) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
  - (b) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity.
- (5) Sub-paragraph (6) applies where—
- (a) unrelieved qualifying expenditure in a single asset pool falls to be carried forward under section 59 of CAA 2001 to the transition period, and
  - (b) immediately before the transition period the plant or machinery is used—
    - (i) partly for the purposes of activities that become the NI rate activity, and
    - (ii) partly for the purposes of activities that become the main rate activity.
- (6) The unrelieved qualifying expenditure is to be treated for the purposes of Chapter 16ZA of Part 2 of CAA 2001 as if the allocation to the single asset pool were under section 212ZB of that Act.
- (7) “Main rate activity” means the qualifying activity to which the qualifying expenditure relates, except so far as it is an NI rate activity.
- (8) Other expressions used in this paragraph and in Part 2 of CAA 2001 as amended by this Schedule have the same meaning as in that Part.

#### Textual Amendments

- F2** Words in [Sch. 1 para. 20\(1\)\(a\)](#) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 25](#)

#### *Know-how allowances: allocation of unrelieved expenditure to pools*

- 21 (1) This paragraph applies if—
- (a) in the case of a company, the company is a NIRE company or <sup>F3</sup>an SME (Northern Ireland employer) company] in the transition period, or

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- (b) in the case of a partnership, the company is a Northern Ireland firm in the transition period.
- (2) Subsection (3) applies if at the beginning of the transition period—
- (a) an NI rate activity carried on by the company begins to be treated by section 6D of CAA 2001 as a separate qualifying trade for the purposes of Part 7 of that Act (know-how allowances), or
  - (b) an NI rate activity carried on by the partnership begins to be treated by section 6D of CAA 2001 as a separate qualifying trade for the purposes of Part 7 of that Act so far as relating to the corporate partner calculation.
- (3) The amount of any unrelieved qualifying expenditure in any pool falling to be carried forward under section 461 of CAA 2001 from the previous chargeable period is to be apportioned on a just and reasonable basis to become—
- (a) a pool that is to be treated as relating to the NI rate activity, and
  - (b) a pool that is to be treated as relating to the main rate activity.
- (4) “Main rate activity” means the trade to which the qualifying expenditure relates, except so far as it is an NI rate activity.
- (5) Other expressions used in this paragraph and in Part 7 of CAA 2001 as amended by this Schedule have the same meaning as in that Part.

#### Textual Amendments

- F3** Words in [Sch. 1 para. 21\(1\)\(a\)](#) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 25](#)

## SCHEDULE 2

Section 3

### OTHER AMENDMENTS

#### PART 1

##### FURTHER AMENDMENTS CONNECTED WITH NORTHERN IRELAND RATE

##### *Realisation of intangible fixed assets*

- 1 After section 738 of CTA 2009 insert—

##### **“738A Realisation of assets previously subject to Northern Ireland rate**

- (1) This section applies if—
- (a) a company is required by section 735, 736 or 738 to bring into account for tax purposes a credit or debit on the realisation of an intangible fixed asset in an accounting period (“the relevant period”),
  - (b) the company is not a Northern Ireland company as defined by section 357KA of CTA 2010 in the relevant period,

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- (c) the asset is not a pre-commencement asset for the purposes of Chapter 8 of Part 8B of CTA 2010 (trading profits taxable at the Northern Ireland rate: intangible fixed assets),
  - (d) the credit or debit is treated for the purposes of that Chapter as including a Northern Ireland element, and
  - (e) at any time during the relevant period, the Northern Ireland rate is lower than the main rate.
- (2) The amount of the credit or debit to be brought into account for tax purposes under section 735, 736 or 738 is reduced by an amount determined under this section (“the appropriate reduction”).
- (3) If the relevant period falls within only one financial year, the appropriate reduction is—

$$E \times \frac{MR - NIR}{MR}$$

where—

E is the Northern Ireland element of the credit or debit (see subsection (5));

MR is the main rate for the financial year;

NIR is the Northern Ireland rate for the financial year.

- (4) If the relevant period falls within more than one financial year, take the following steps to find the appropriate reduction—
- Step 1* Apportion the Northern Ireland element of the credit or debit (see subsection (5)) between the financial years on a time basis according to the respective lengths of the parts of the relevant period falling within those years.
- Step 2* Where an amount is apportioned under step 1 to a financial year in which the Northern Ireland rate is lower than the main rate, multiply that amount by the following fraction—

$$\frac{MR - NIR}{MR}$$

where—

MR is the main rate for the financial year;

NIR is the Northern Ireland rate for the financial year.



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*Step 3* To find the appropriate reduction, add together each amount determined under step 2.

- (5) In subsections (3) and (4), the “Northern Ireland element” of the credit or debit is an amount determined in accordance with sections 357OE to 357OG of CTA 2010.”

*Controlled foreign companies*

- 2 (1) Section 371BC of TIOPA 2010 (charging the CFC charge) is amended as follows.
- (2) In subsection (3), in the definition of “the appropriate rate”, after “subject to” insert “ subsection (4) and ”.
- (3) After subsection (3) insert—
- “ (4) In determining “the appropriate rate”, it must be assumed that all of CC’s profits of the relevant corporation tax accounting period on which corporation tax is chargeable are chargeable at the main rate rather than the Northern Ireland rate.”

F43 .....

**Textual Amendments**

- F4** Sch. 2 para. 3 omitted (with effect in accordance with s. 36(3)-(5) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), s. 36(2)(d)

**PART 2**

CONSEQUENTIAL AMENDMENTS

- 4 CTA 2010 is amended as follows.
- 5 In section 1(3) (overview), before paragraph (b) insert—
- “ (ac) trading profits taxable at Northern Ireland rate (see Part 8B),”.
- 6 In Schedule 4 (index of defined expressions), insert at the appropriate places—

“the accounting period (in Chapter 6 of Part 8B) section 357M(2)”

“the accounting period (in Chapter 7 of Part 8B) section 357N(2)”

“back-office activities (in Part 8B) section 357XI”

“the commencement day (in Chapter 8 of Part 8B) section 357OP”

“the company (in Chapter 6 of Part 8B) section 357M(2)”

“the company (in Chapter 7 of Part 8B) section 357N(2)”

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“excluded activity (in Part 8B)	Chapter 17 of Part 8B”
“excluded trade (in Part 8B)	Chapter 17 of Part 8B”
“exclusive licence (in Chapter 15 of Part 8B)	section 357VE”
“firm (in Chapter 16 of Part 8B)	section 357W(3)”
“intangible fixed asset (in Chapter 8 of Part 8B)	section 357O(2)”
“investment manager (in Chapter 5 of Part 8B)	section 1150(1) (applied by section 357LH)”
“investment transaction (in Chapter 5 of Part 8B)	section 1150(1) (applied by section 357LH)”
“large company condition (in Part 8B)	section 357KA”
“mainstream losses (in Part 8B)	sections 357MA and 357NA”
“mainstream profits (in Part 8B)	sections 357MA and 357NA”
“mainstream qualifying land remediation loss (in Chapter 10 of Part 8B)	section 357QB(3)”
“NIRE (in Part 8B)	Chapter 5 of Part 8B”
“Northern Ireland company (in Part 8B)	section 357KA”
“Northern Ireland element (in Chapter 8 of Part 8B)	section 357OP”
“Northern Ireland employer (in Part 8B)	section 357KD”
“Northern Ireland expenditure (in Chapters 9 to 14 of Part 8B)	sections 357P(2), 357Q(2), 357R(2), 357S(2), 357T(2) and 357U(2)”
“Northern Ireland firm (in Part 8B)	section 357WA”
“Northern Ireland intangibles credits (in Chapter 8 of Part 8B)	section 357OP”

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“Northern Ireland intangibles debits (in Chapter 8 of Part 8B)	section 357OP”
“Northern Ireland losses (in Part 8B)	sections 357MA and 357NA”
“Northern Ireland profits (in Part 8B)	sections 357MA and 357NA”
“Northern Ireland qualifying Chapter 2 expenditure (in Chapter 9 of Part 8B)	section 357P(2)”
“Northern Ireland qualifying Chapter 7 expenditure (in Chapter 9 of Part 8B)	section 357P(2)”
“Northern Ireland qualifying land remediation expenditure (in Chapter 10 of Part 8B)	section 357Q(2)”
“Northern Ireland qualifying land remediation loss (in Chapter 10 of Part 8B)	section 357QB(3)”
“Northern Ireland rate	section 357I”
“pre-commencement asset (in Chapter 8 of Part 8B)	section 357OP”
“qualifying Chapter 2 expenditure (in Chapter 9 of Part 8B)	section 357P(2)”
“qualifying Chapter 7 expenditure (in Chapter 9 of Part 8B)	section 357P(2)”
“qualifying expenditure (in Chapter 11 of Part 8B)	section 357R(2)”
“qualifying expenditure (in Chapter 12 of Part 8B)	section 357S(2)”
“qualifying expenditure (in Chapter 13 of Part 8B)	section 357T(2)”
“qualifying expenditure (in Chapter 14 of Part 8B)	section 357U(2)”
“qualifying IP right (in Chapter 15 of Part 8B)	section 357VE”

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“qualifying land remediation expenditure (in section 357Q(2))” Chapter 10 of Part 8B)	
“qualifying partnership trade (in Part 8B)	section 357WB”
“qualifying trade (in Part 8B)	section 357KB”
“realisation credit (in Chapter 8 of Part 8B)	section 357OP”
“realisation debit (in Chapter 8 of Part 8B)	section 357OP”
“relevant IP profits (in Chapter 15 of Part 8B)	section 357VE”
“relevant period (in Chapter 15 of Part 8B)	section 357VE”
“roll-over relief (in Chapter 8 of Part 8B)	section 357OP”
“the separate film trade (in Chapter 11 of Part 8B)	section 357R(2)”
“the separate programme trade (in Chapter 12 of Part 8B)	section 357S(2)”
“the separate theatrical trade (in Chapter 14 of Part 8B)	section 357U(2)”
“the separate video game trade (in Chapter 13 of Part 8B)	section 357T(2)”
“SME (in Part 8B)	section 357KC”
“SME condition (in Part 8B)	section 357KA”
“trade (in Part 8B)	section 357NK”
“the trade (in Chapter 6 of Part 8B)	section 357M(2)”
“the trade (in Chapter 7 of Part 8B)	section 357N(2)”

**Changes to legislation:**

There are currently no known outstanding effects for the Corporation Tax (Northern Ireland) Act 2015.