



Finance Act 2021

2021 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Capital allowances: super-deductions etc

9 Super-deductions and other temporary first-year allowances

(1) Part 2 of CAA 2001 has effect as if—

- (a) in section 39 (first-year allowances available for certain types of qualifying expenditure only) a reference to this section were included in the list of provisions describing first-year qualifying expenditure, and
- (b) in the Table in section 52(3) (amount of first-year allowances), at the end there were inserted—

“Expenditure qualifying under section 9(2) of FA 2021	130%
Expenditure qualifying under section 9(3) of that Act	50%
Expenditure qualifying under section 9(4) of that Act	100%”.

(2) Expenditure is qualifying under this subsection if—

- (a) it is incurred on or after 1 April 2021 but before 1 April 2023,
- (b) it is incurred by a company within the charge to corporation tax,
- (c) it is expenditure on plant or machinery which is unused and not second-hand,
- (d) it is not within any of the general exclusions in section 46(2) of CAA 2001,
- (e) it is not special rate expenditure, and
- (f) it is not expenditure on the provision of plant or machinery for use wholly or partly for the purposes of a ring fence trade.

*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2021, Section 9. (See end of Document for details)*

Expenditure qualifying under this subsection is referred to as “super-deduction expenditure” and a first-year allowance made as a result of expenditure qualifying under this subsection is referred to as a “super-deduction”.

- (3) Expenditure is qualifying under this subsection if—
- (a) it is special rate expenditure,
 - (b) it is incurred on or after 1 April 2021 but before 1 April 2023,
 - (c) it is incurred by a company within the charge to corporation tax,
 - (d) it is expenditure on plant or machinery which is unused and not second-hand, and
 - (e) it is not within any of the general exclusions in section 46(2) of CAA 2001.

Expenditure qualifying under this subsection is referred to as “SR allowance expenditure” and a first-year allowance made as a result of expenditure qualifying under this subsection is referred to as an “SR allowance”.

- (4) Expenditure is qualifying under this subsection if—
- (a) it is expenditure on the provision of plant or machinery for use partly for the purposes of a ring fence trade and partly for the purposes of another qualifying activity,
 - (b) it is incurred on or after 1 April 2021 but before 1 April 2023,
 - (c) it is incurred by a company within the charge to corporation tax,
 - (d) it is not within any of the general exclusions in section 46(2) of CAA 2001, and
 - (e) it is not special rate expenditure.
- (5) A first-year allowance made as a result of expenditure qualifying under subsection (4) is to be allocated between the ring fence trade and the other qualifying activity on a just and reasonable basis.
- (6) This section has effect as if it were contained in Chapter 4 of Part 2 of CAA 2001 (which, among other things, means that sections 5 and 50 of that Act are relevant for the purpose of determining when expenditure is incurred).
- (7) For the purpose of determining when expenditure is incurred for the purpose of subsection (2)(a) or (3)(b), if an amount of expenditure is incurred as a result of a contract entered into before 3 March 2021—
- (a) section 5 of CAA 2001 does not apply, and
 - (b) the expenditure is instead treated for that purpose as incurred when the contract was entered into (whether or not an unconditional obligation to pay it arises on or after that date).
- (8) For the purpose of determining whether a person is entitled to a super-deduction or an SR allowance, section 67 of CAA 2001 (plant or machinery treated as owned by person entitled to benefit of contract, etc) applies as if for subsection (1)(b) of that section there were substituted—
- “(b) the expenditure is incurred under a contract in respect of which Conditions A and B in section 1129 of CTA 2010 (definition of hire-purchase agreement) are met on the basis that—
 - (i) the “goods” referred to in those conditions are the plant or machinery, and

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- (ii) the person to whom they are bailed or hired is the person who incurs the expenditure.”
- (9) General exclusion 6 in section 46(2) of CAA 2001 (expenditure on provision of plant or machinery for leasing) does not prevent expenditure being super-deduction expenditure or SR allowance expenditure if the plant or machinery is provided for leasing under an excluded lease of background plant or machinery for a building (as defined by section 70R of that Act).
- (10) Section 130(1) of CAA 2001 (postponement of first-year allowances on the provision of a ship) does not apply in relation to a super-deduction or an SR allowance.
- (11) In this section “ring fence trade” means a ring fence trade in respect of which tax is chargeable under section 330(1) of CTA 2010 (supplementary charge in respect of ring fence trades).

Changes to legislation:

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