



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 12

SHIPS

Expenditure on new shipping

146 Basic meaning of expenditure on new shipping

- (1) For the purposes of the deferment rules, expenditure on the provision of a ship is expenditure on new shipping if the conditions in subsection (3) are met.
- (2) Subsection (1) is subject to sections 147 to 150.
- (3) The conditions are that—
 - (a) the expenditure is qualifying expenditure incurred by a person wholly and exclusively for the purposes of a qualifying activity carried on by him,
 - (b) when the expenditure is incurred, it appears that the ship will—
 - (i) be brought into use for the purposes of the qualifying activity as a qualifying ship, and
 - (ii) continue to be a qualifying ship for at least 3 years after that, and
 - (c) the expenditure is allocated to a single ship pool.

147 Exclusions: ship previously owned

- (1) Expenditure on the provision of a ship is not expenditure on new shipping if the person who incurred the expenditure—

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- (a) has already owned the ship in the period of 6 years ending with the time when he first owns it as a result of incurring the expenditure, or
 - (b) was connected at a material time with a person who owned the ship at any time during that period.
- (2) For this purpose a material time is—
- (a) the time when the expenditure was incurred, or
 - (b) any earlier time in the 6 year period beginning with the relevant disposal event.

148 Exclusions: object to secure deferment

Expenditure on the provision of a ship is not expenditure on new shipping if the object, or one of the main objects, of—

- (a) the transaction by which the ship was provided for the purposes of a qualifying activity carried on by the person who incurred the expenditure,
- (b) any series of transactions of which that transaction was one, or
- (c) any transaction in such a series,

was to secure the deferment of a balancing charge under section 135.

149 Exclusions: later events

- (1) Expenditure on the provision of a ship is not, and is treated as never having been, expenditure on new shipping if—
- (a) at a time during the period mentioned in subsection (2), the ship is not a qualifying ship,
 - (b) the expenditure is allocated to a pool as a result of an election under section 129 (election to use appropriate non-ship pool), or
 - (c) section 107 applies in relation to the expenditure (overseas leasing).
- (2) The period referred to in subsection (1)(a) is—
- (a) the period of 3 years beginning with the time when the ship is first brought into use for the purposes of a qualifying activity carried on—
 - (i) by the person (“A”) who incurred the expenditure, or
 - (ii) if earlier, by a person connected with A, or
 - (b) if shorter, the period beginning with that time and ending when neither A nor a person connected with A owns the ship.

150 Exclusions where expenditure not incurred by shipowner

- (1) Expenditure on the provision of a ship is not, and is treated as never having been, expenditure on new shipping if—
- (a) it is incurred by a company which is a member of the same group as the shipowner at the time when the expenditure is incurred, and
 - (b) subsection (2) or (4) applies.
- (2) This subsection applies (subject to subsection (3)) if—
- (a) the ship ceases to be owned by the company before it has been brought into use for the purposes of a qualifying activity carried on by the company, or

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- (b) a disposal event occurs in respect of the ship within 3 years of its first being brought into use for the purposes of a qualifying activity carried on by the company.
- (3) But subsection (2) does not apply if the event which would otherwise result in that subsection applying is, or is the result of, the total loss of the ship or irreparable damage to it.
- (4) This subsection applies if—
 - (a) after the expenditure is incurred, there is a time when the company and the shipowner are not members of the same group, and
 - (b) if the ship is brought into use for the purposes of a qualifying activity carried on by the company, that time is within 3 years of the ship first being so brought into use.
- (5) A time falling after the total loss of the ship or irreparable damage to it is to be disregarded for the purposes of subsection (4).
- (6) In this section “irreparable damage”, in relation to a ship, means damage that puts it in a condition in which it is impossible, or not commercially worthwhile, to undertake the repairs required for restoring it to its previous use.

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