



# Finance Act 2008

## 2008 CHAPTER 9

### PART 3

#### CAPITAL ALLOWANCES

##### *Plant and machinery: qualifying expenditure*

#### **71 Thermal insulation of buildings**

- (1) Section 28 of CAA 2001 (thermal insulation of industrial buildings) is amended as follows.
- (2) In subsection (1)—
  - (a) for “consisting of a trade” substitute “other than an ordinary property business or an overseas property business”,
  - (b) for “an industrial” substitute “a”, and
  - (c) for “the trade” substitute “the qualifying activity”.
- (3) In subsection (2), for “an industrial” substitute “a”.
- (4) After that subsection insert—
  - “(2A) Subsection (2) is subject to section 35 (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure).
  - (2B) This section does not apply to expenditure within subsection (2) if a deduction for that expenditure is allowable—
    - (a) under section 31ZA of ICTA, or
    - (b) under section 312 of ITTOIA 2005,(deductions for expenditure on energy-saving items).
  - (2C) For the purposes of subsection (2B), whether such a deduction is allowable is to be determined without regard to subsection (1)(e) of the section in question.”

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*Status: This is the original version (as it was originally enacted).*

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- (5) Omit subsection (3).
- (6) In the heading, omit “**industrial**”.
- (7) In section 23(2) of CAA 2001 (expenditure unaffected by sections 21 and 22), in the entry for section 28, omit “industrial”.
- (8) The amendments made by this section have effect—
  - (a) for corporation tax purposes, in relation to expenditure incurred on or after 1 April 2008, and
  - (b) for income tax purposes, in relation to expenditure incurred on or after 6 April 2008.

## **72 Expenditure on required fire precautions**

- (1) In CAA 2001, omit section 29 (expenditure on required fire precautions).
- (2) In section 23(2) of that Act, omit “section 29 (fire safety);”.
- (3) In consequence of the amendment made by subsection (1)—
  - (a) in the Fire and Rescue Services Act 2004 (c. 21), omit paragraph 96 of Schedule 1, and
  - (b) in the Fire and Rescue Services (Northern Ireland) Order 2006 (S.I. 2006/1254 (N.I. 9)), omit paragraph 24 of Schedule 3 (and the entry relating to CAA 2001 in Schedule 4).
- (4) The amendments made by subsections (1) and (2) have effect—
  - (a) for corporation tax purposes, in relation to expenditure incurred on or after 1 April 2008, and
  - (b) for income tax purposes, in relation to expenditure incurred on or after 6 April 2008.

## **73 Integral features**

- (1) In section 23 of CAA 2001 (expenditure unaffected by sections 21 and 22)—
  - (a) in subsection (2), after the entry for section 33 insert—

“section 33A (integral features);”, and
  - (b) in subsection (4), in List C—
    - (i) in item 2, omit “Electrical systems (including lighting systems) and cold water;”,
    - (ii) omit item 3, and
    - (iii) in item 6, for “Lifts, hoists, escalators and moving walkways.” substitute “Hoists.”
- (2) After section 33 of that Act insert—

*“Expenditure on integral features*

**33A Expenditure on provision or replacement of integral features**

- (1) This section applies where a person carrying on a qualifying activity incurs expenditure on the provision or replacement of an integral feature of a building or structure used by the person for the purposes of the qualifying activity.
- (2) This Part (including in particular section 11(4)) applies as if—
  - (a) the expenditure were capital expenditure on the provision of plant or machinery for the purposes of the qualifying activity, and
  - (b) the person who incurred the expenditure owned plant or machinery as a result of incurring it.
- (3) If the expenditure is qualifying expenditure, it may not be deducted in calculating the income from the qualifying activity.
- (4) If the expenditure is not qualifying expenditure, whether it may be so deducted is to be determined without regard to this section.
- (5) For the purposes of this section each of the following is an integral feature—
  - (a) an electrical system (including a lighting system),
  - (b) a cold water system,
  - (c) a space or water heating system, a powered system of ventilation, air cooling or air purification, and any floor or ceiling comprised in such a system,
  - (d) a lift, an escalator or a moving walkway,
  - (e) external solar shading.
- (6) The items listed in subsection (5) do not include any asset whose principal purpose is to insulate or enclose the interior of a building or to provide an interior wall, floor or ceiling which (in each case) is intended to remain permanently in place.
- (7) The Treasury may by order—
  - (a) provide that subsection (5) does not include a feature of a building or structure specified in the order, expenditure on which would (if not within subsection (5)) be qualifying expenditure other than special rate expenditure, and
  - (b) add to the list in subsection (5) a feature of a building or structure expenditure on the provision of which would not (apart from the order) be expenditure on the provision of plant or machinery.
- (8) An order under subsection (7) may make such incidental, supplemental, consequential and transitional provision as the Treasury thinks fit.

**33B Meaning of “replacement” in section 33A**

- (1) Expenditure to which this section applies is to be treated for the purposes of section 33A as expenditure on the replacement of an integral feature.

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*Status: This is the original version (as it was originally enacted).*

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- (2) This section applies to expenditure incurred by a person on an integral feature if the amount of the expenditure is more than 50% of the cost of replacing the integral feature at the time the expenditure is incurred.
- (3) Subsection (4) applies where—
- (a) a person incurs expenditure (“initial expenditure”) on an integral feature which is not more than 50% of the cost of replacing the integral feature at the time it is incurred, but
  - (b) in the period of 12 months beginning with the initial expenditure being incurred the person incurs further expenditure on the integral feature.
- (4) If the aggregate of—
- (a) the amount of the initial expenditure, and
  - (b) the amount (or the aggregate of the amounts) of the further expenditure,
- is more than 50% of the cost of replacing the integral feature at the time the initial expenditure was incurred, this section applies to the initial expenditure and the further expenditure.
- (5) Where section 33A applies because of subsection (4), all such assessments and adjustments of assessments are to be made as are necessary to give effect to that section.”
- (3) In section 74(1) of ICTA (general rules as to deductions not allowable), after paragraph (d) insert—
- “(da) any expenditure to which section 33A(3) of the Capital Allowances Act (expenditure on provision or replacement of integral features) applies;”.
- (4) In Chapter 4 of Part 2 of ITTOIA 2005 (rules restricting deductions from trade profits), after section 55 insert—

*“Integral features*

**55A Expenditure on integral features**

Section 33A(3) of CAA 2001 provides that no deduction is allowed in respect of certain expenditure on an integral feature of a building or structure (within the meaning of that section).”

- (5) In the table in section 272(2) of ITTOIA 2005 (provisions of Part 2 applicable to profits of property business), after the entry relating to section 55 insert—

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“section 55A

expenditure on integral features”

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- (6) The amendments made by this section have effect—
- (a) for corporation tax purposes, in relation to expenditure incurred on or after 1 April 2008, and
  - (b) for income tax purposes, in relation to expenditure incurred on or after 6 April 2008.