



# Finance Act 2019

## 2019 CHAPTER 1

### PART 1

#### DIRECT TAXES

##### *Capital allowances*

### **30 Construction expenditure on buildings and structures**

- (1) The Treasury may by regulations amend CAA 2001 so as to provide for allowances under that Act to be available where—
  - (a) expenditure has been incurred, on or after 29 October 2018, on the construction of a building,
  - (b) the building is in qualifying use, and
  - (c) the expenditure incurred on the construction of the building, or other expenditure, is qualifying expenditure.
- (2) Regulations under this section (“the regulations”) must—
  - (a) specify what is qualifying use;
  - (b) specify what is qualifying expenditure;
  - (c) provide for a writing-down allowance to be available at an annual rate of 2% of the qualifying expenditure;
  - (d) specify the persons to whom allowances may be made;
  - (e) make provision about how effect is to be given to allowances.
- (3) The regulations must secure that—
  - (a) allowances are not available for expenditure on the acquisition of land or rights in or over land;
  - (b) qualifying use is restricted to use for prescribed business purposes.
- (4) The regulations may provide for allowances not to be available or to be restricted—
  - (a) in the case of a building that is wholly or partly used as a dwelling-house or for purposes that are ancillary to the purposes of a dwelling-house;

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- (b) in respect of a building that is used wholly or partly for holiday or overnight accommodation of a prescribed kind;
  - (c) in respect of a building that is only partly in qualifying use or in respect of periods when a building is not in qualifying use;
  - (d) in prescribed cases or circumstances.
- (5) The regulations may provide that if a person incurs expenditure for the purposes of a qualifying activity before (but not more than 7 years before) the date on which the person starts to carry on that activity, the expenditure is to be treated as if it were incurred by the person on that date.
- (6) The regulations may provide that if—
- (a) allowances have been available to a person (A) in respect of expenditure on the construction of a building, and
  - (b) A sells A's interest in the building to another person (B),
- allowances are available to B in respect of the residue of the qualifying expenditure.
- (7) The regulations may make provision about leases, including provision for the grant of a lease to be treated in prescribed circumstances in the same way as the sale of the grantor's interest.
- (8) The regulations may make—
- (a) provision under which expenditure is apportioned;
  - (b) provision for balancing adjustments (and about how effect is to be given to them);
  - (c) provision for qualifying expenditure to be written off;
  - (d) special provision about highway undertakings;
  - (e) provision about additional VAT liability and additional VAT rebate (within the meaning given by section 547 of CAA 2001);
  - (f) anti-avoidance provision;
  - (g) supplementary or incidental provision;
  - (h) consequential provision (including provision amending enactments other than CAA 2001).
- (9) The regulations may make transitional provision, including provision under which expenditure incurred on or after 29 October 2018 is treated as incurred before that date—
- (a) where the expenditure is associated or connected with expenditure incurred before that date,
  - (b) where the expenditure relates to a contract entered into before that date, or
  - (c) in other prescribed cases.
- (10) Subsections (2) to (9) are not to be read as limiting subsection (1).
- (11) A statutory instrument containing the regulations may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.
- (12) A reference in this section to expenditure on the construction of a building includes a reference to capital expenditure—
- (a) on repairs to the building, or
  - (b) on the renovation or conversion of the building.

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(13) In this section—

“building” includes structure;

“dwelling-house” has the meaning given by the regulations;

“prescribed” means prescribed by the regulations.

### **31 Special rate expenditure on plant and machinery**

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 104D(1) (writing-down allowances in respect of special rate expenditure) for “8%” substitute “ 6% ”.

(3) Accordingly, in—

(a) section 56(2)(a),

(b) the heading of section 104D, and

(c) section 104E(1)(a),

for “8%” substitute “ 6% ”.

(4) The amendments made by subsections (2) and (3) have effect in relation to chargeable periods beginning on or after the relevant day.

(5) In relation to a chargeable period that begins before and ends on or after the relevant day, section 104D(1) of CAA 2001 has effect as if the reference to 8% was a reference to X%.

(6) For the purposes of subsection (5), X is—

$$\left( 8 \times \frac{\text{BRD}}{\text{CP}} \right) + \left( 6 \times \frac{\text{ARD}}{\text{CP}} \right)$$

where—

BRD is the number of days in the chargeable period before the relevant day,

ARD is the number of days in the chargeable period on or after the relevant day, and

CP is the number of days in the chargeable period.

(7) Where X would be a figure with more than 2 decimal places it is to be rounded up to the nearest second decimal place.

(8) In this section “the relevant day” is—

(a) for corporation tax purposes, 1 April 2019, and

(b) for income tax purposes, 6 April 2019.

### **32 Temporary increase in annual investment allowance**

(1) In relation to expenditure incurred during the period of two years beginning with 1 January 2019, section 51A of CAA 2001 (entitlement to annual investment allowance) has effect as if in subsection (5) the amount specified as the maximum allowance were £1,000,000.

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- (2) Schedule 13 contains provision about chargeable periods which straddle 1 January 2019 or 1 January 2021.

### 33 First-year allowances and first-year tax credits

- (1) In Part 2 of CAA 2001 (plant and machinery allowances), the following provisions are repealed—

- (a) sections 45A to 45C (energy-saving plant or machinery),
- (b) sections 45H to 45J (environmentally beneficial plant or machinery), and
- (c) section 262A and Schedule A1 (first-year tax credits).

- (2) In consequence of subsection (1)—

- (a) in TMA 1970, in the second column of the Table in section 98, in the entry relating to requirements imposed by provisions of CAA 2001, omit “45B(5) and (6),” and “, 45I(5) and (6),”

- (b) in CAA 2001—

- (i) in section 2(3), for “262A” substitute “ 262 ”,

- (ii) in section 3—

- (a) in subsection (1), omit “, and no first-year tax credit is to be paid under Schedule A1,”, and

- (b) omit subsection (2B),

- (iii) in the list in section 39, omit—

- (a) the entry relating to section 45A, and

- (b) the entry relating to section 45H,

- (iv) in section 46—

- (a) in the list in subsection (1), omit the entry relating to section 45A and the entry relating to section 45H, and

- (b) omit subsections (5) and (6), and

- (v) in the table in section 52(3), omit—

- (a) the entry relating to expenditure qualifying under section 45A, and

- (b) the entry relating to expenditure qualifying under section 45H, and

- (c) the following provisions are repealed—

- (i) in FA 2001, section 65 and Schedule 17,

- (ii) in FA 2003, paragraphs 2(c), 3, 4(1)(c) and (2) and 5 to 7 of Schedule 30,

- (iii) in FA 2006, paragraph 11 of Schedule 9,

- (iv) in FA 2008, section 79 and Schedule 25,

- (v) in CTA 2009, paragraph 521 of Schedule 1,

- (vi) in CTA 2010, paragraph 364 of Schedule 1,

- (vii) in FA 2011, paragraph 12(16) of Schedule 14,

- (viii) in the Welfare Reform Act 2012—

- (a) paragraph 14 of Schedule 3, and

- (b) in the table in Part 1 of Schedule 14, the entry relating to CAA 2001,

- (ix) in FA 2012—

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- (a) section 45(2) and (3), and
  - (b) paragraph 106 of Schedule 16,
  - (x) in FA 2013—
    - (a) section 67,
    - (b) section 68(2), and
    - (c) paragraph 6 of Schedule 18,
  - (xi) in FA 2014, paragraph 7 of Schedule 4,
  - (xii) in FA 2016, paragraph 7 of Schedule 8,
  - (xiii) in F(No.2)A 2017—
    - (a) paragraph 126 of Schedule 4, and
    - (b) paragraph 7 of Schedule 6, and
  - (xiv) in FA 2018, section 29.
- (3) The following orders were made under powers contained in provisions repealed by subsection (1) and are therefore revoked—
- (a) the Capital Allowances (Environmentally Beneficial Plant and Machinery) Order 2003 (S.I. 2003/2076), and
  - (b) any instrument amending that order.
- (4) The Capital Allowances (Energy-saving Plant and Machinery) Order 2018 (S.I. 2018/268) is revoked.
- (5) The amendments made by this section have effect in relation to expenditure incurred on or after—
- (a) for corporation tax purposes, 1 April 2020, and
  - (b) for income tax purposes, 6 April 2020.

### **34 First-year allowance: expenditure on electric vehicle charge points**

In section 45EA of CAA 2001 (expenditure on plant or machinery for electric vehicle charging point), in subsection (3) (the relevant period) for “2019”, in both places it occurs, substitute “2023”.

### **35 Qualifying expenditure: buildings, structures and land**

- (1) Chapter 3 of Part 2 of CAA 2001 (qualifying expenditure) is amended as follows.
- (2) In each of sections 21 and 22 (buildings, structures, assets and works), at the end of subsection (4) insert “ (but any reference in list C in subsection (4) of that section to “plant” does not include anything where expenditure on its provision is excluded by this section) ”.
- (3) The amendments made by this section—
- (a) are treated as always having had effect, but
  - (b) do not have effect in relation to claims for capital allowances made before 29 October 2018.

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