SCHEDULES

SCHEDULE 22

Section 114

CAPITAL ALLOWANCES FOR FREEPORT TAX SITES

PART 1

FIRST-YEAR ALLOWANCE FOR PLANT AND MACHINERY

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

2 In section 39 (first-year allowances available for certain types of qualifying expenditure only), at the end insert—

"section 45O	expenditure on plant and machinery for use in freeport tax sites."

3 After section 45N insert—

"**45O Expenditure on plant and machinery for use in freeport tax sites**

(1) Expenditure incurred by a company on the provision of plant or machinery is first-year qualifying expenditure if conditions A to E are met.

(2) Condition A is that the plant or machinery is for use primarily in an area which, at the time the expenditure is incurred, is a freeport tax site.

(3) Condition B is that the plant or machinery is unused and is not second-hand.

(4) Condition C is that the expenditure is incurred for the purposes of a qualifying activity within section 15(1)(a) or (f).

(5) Condition D is that the expenditure is incurred on or before 30 September 2026.

(6) Condition E is that the company is within the charge to corporation tax.

(7) This section is subject to—

regulations under section 45P,

section 45Q (exclusion of plant or machinery partly for use outside freeport tax sites),

section 45R (effect of plant or machinery subsequently being primarily for use outside freeport tax sites), and

section 46 (general exclusions).

45P Power to amend conditions

(1) The Treasury may by regulations change the conditions that must be met in order for expenditure to be first-year qualifying expenditure under section 45O (whether by adding, removing or altering conditions).

(2) Regulations under this section may not remove the requirement for the plant or machinery to be for use primarily in an area which, at the time the expenditure is incurred, is a freeport tax site.

(3) Regulations under this section may, among other things—

(a) make provision by reference to the expenditure, the plant or machinery, the company that incurred the expenditure or a person who is or has been connected with that company;

(b) impose conditions relating to accounts or other records;

(c) impose other conditions requiring a person to take steps specified in the regulations;

(d) make different provision for different purposes;

(e) include incidental, supplementary, consequential, transitional or transitory provision.

(4) Regulations under this section—

(a) may amend, repeal or otherwise modify section 45O and other provisions of this Part, and

(b) where made under subsection (3)(e), may amend, repeal or otherwise modify other provisions of this Act or provisions of another Act.

45Q Exclusion of plant or machinery partly for use outside freeport tax sites

(1) This section applies if—

(a) at the time when expenditure on plant or machinery is incurred, the company incurring it intends the plant or machinery to be used partly in an area which is not a freeport tax site, and

(b) the main purpose, or one of the main purposes, for which a person is party to the relevant arrangements is the obtaining of a first-year allowance, or a greater first-year allowance, in respect of the part of the expenditure that is attributable to that intended use in an area which is not a freeport tax site (the "non-freeport part" of the expenditure).

(2) The non-freeport part of the expenditure is not first-year qualifying expenditure under section 45O.

(3) For the purposes of this section, the non-freeport part of the expenditure is to be determined on a just and reasonable basis.

(4) In this section, "the relevant arrangements" means—

(a) the transaction under which the expenditure on the plant or machinery is incurred, and

(b) any scheme or arrangements of which that transaction forms part.

45R Effect of plant or machinery subsequently being primarily for use outside freeport tax sites

(1) Expenditure on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45O if, at any relevant time—

(a) the primary use to which the plant or machinery is put is other than in an area which, at the time the expenditure was incurred, was a freeport tax site, or

(b) the plant or machinery is held for use otherwise than primarily in an area which was a freeport tax site at that time.

(2) "Relevant time" means a time within the relevant period when the plant or machinery is owned by—

(a) the company that incurred the expenditure, or

(b) a person who is, or at any time in that period has been, connected with that company.

(3) "The relevant period" means the period of 5 years beginning with—

(a) the day on which the plant or machinery in question is first brought into use for the purposes of a qualifying activity carried on by the company, or

(b) if earlier, the day on which it is first held for such use.

(4) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).

(5) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, that person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(6) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section."

4 In section 46(1) (general exclusions applying to first-year qualifying expenditure), at the end insert—

"section 45O	(expenditure on plant and machinery for use in freeport tax sites)."

5 In section 52(3) (amount of first-year allowances), in the Table, at the end insert—

"Expenditure qualifying under section 45O (expenditure on plant and machinery for use in freeport tax sites)	100%".

PART 2

STRUCTURES AND BUILDINGS ALLOWANCES

6 Part 2A of CAA 2001 (structures and buildings allowances) is amended as follows.

7 (1) Section 270AA (structures and buildings allowances) is amended as follows.

(2) In subsection (2)(b)(ii), for "the period of 33 1/3 years" substitute "the period of the length specified in subsection (2A),".

(3) After that subsection insert—

"(2A) The length of the period referred to in subsection (2)(b)(ii) is—

(a) in the case of freeport qualifying expenditure, 10 years, and

(b) in the case of other qualifying expenditure, 33 1/3 years."

(4) In subsection (5), for "3% of the qualifying expenditure" substitute "—

(a) in the case of freeport qualifying expenditure, 10% of the expenditure, and

(b) in the case of other qualifying expenditure, 3% of the expenditure."

(5) In subsection (6), after "section—" insert—

""freeport qualifying expenditure" has the meaning given by section 270BNA;".

8 In section 270BJ (expenditure on renovation, conversion or incidental repairs), after subsection (2) insert—

"(2A) For the purposes of subsection (1), in relation to a building or structure that has been brought into use at a time when the area in which the building or structure is situated was not a freeport tax site, section 270BNA(2) and (7) have effect as if the renovation or conversion of, or repairs to, part of the building or structure were the construction of that part for the first time."

9 In section 270BK(3) (preparation of sites), for "and 270AB" substitute ", 270AB and 270BNA(2) and (7)".

10 After section 270BN insert—

"CHAPTER 2A

FREEPORT QUALIFYING EXPENDITURE

270BNA Meaning of "freeport qualifying expenditure"

(1) In this Part, qualifying expenditure incurred on the construction or acquisition of a building or structure is "freeport qualifying expenditure" if conditions A to E are met.

(2) Condition A is that construction of the building or structure begins at a time when the area in which the building or structure is situated is a freeport tax site.

(3) Condition B is that the building or structure is first brought into qualifying use by the person entitled to the allowance under this Part—

(a) at a time when the area in which the building or structure is situated is a freeport tax site, and

(b) on or before 30 September 2026.

(4) Condition C is that the qualifying expenditure is incurred—

(a) at a time when the area in which the building or structure is situated is a freeport tax site, and

(b) on or before 30 September 2026.

(5) Condition D is that the person who incurs the qualifying expenditure is within the charge to income tax or corporation tax when it is incurred.

(6) Condition E is that an allowance statement—

(a) made for the purposes of section 270IA by the person who incurred the qualifying expenditure, and

(b) relied on for the purposes of the first valid claim for an allowance under this Part in respect of that expenditure,

states that the person wants the expenditure to be freeport qualifying expenditure.

(7) For the purposes of subsection (2), the construction of a building or structure is treated as beginning when the first contract for works to be carried out in the course of the construction of that particular building or structure (whether or not the contract also relates to the construction of other buildings or structures) is entered into.

(8) This section is subject to regulations under section 270BNC.

270BNB Apportionment

(1) Subsection (2) applies if, on the later of—

(a) the day on which the building or structure is first brought into non-residential use, and

(b) the day on which the qualifying expenditure is incurred,

a building or structure is situated only partly in an area that is a freeport tax site.

(2) Only so much of the qualifying expenditure as, on a just and reasonable apportionment, is attributable to the part situated in the freeport tax site is to be treated as freeport qualifying expenditure.

(3) Subsection (4) applies if a building or structure is first brought into qualifying use by the person entitled to the allowance under this Part partly on or before 30 September 2026 and partly after that date.

(4) Only so much of the qualifying expenditure as, on a just and reasonable apportionment, is attributable to the part first brought into qualifying use by that person on or before that date is to be treated as freeport qualifying expenditure.

270BNC Power to amend meaning of "freeport qualifying expenditure"

(1) The Treasury may by regulations change the conditions that must be met in order for qualifying expenditure to be "freeport qualifying expenditure" for the purposes of this Part (whether by adding, removing or altering conditions).

(2) Regulations under this section—

(a) may not remove the requirement for the building or structure to be situated in an area that is a freeport tax site, but

(b) may alter the time when that requirement must be satisfied.

(3) Regulations under this section may, among other things—

(a) make provision by reference to the expenditure, the building or structure, the person who incurred the expenditure or a person who is or has been connected with that person;

(b) impose conditions relating to accounts or other records;

(c) impose other conditions requiring a person to take steps specified in the regulations;

(d) make different provision for different purposes;

(e) include incidental, supplementary, consequential, transitional or transitory provision.

(4) Regulations under this section—

(a) may amend, repeal or otherwise modify section 270BNA and other provisions of this Part, and

(b) where made under subsection (3)(e), may amend, repeal or otherwise modify other provisions of this Act or provisions of another Act."

11 (1) Section 270EB (multiple uses) is amended as follows.

(2) In subsection (2), for "3%" substitute "the relevant percentage".

(3) After subsection (3) insert—

"(3A) For the purposes of subsection (2), "the relevant percentage" means the percentage specified in section 270AA(5)."

12 In section 270IA(4) (evidence of qualifying expenditure etc), after subsection (4) insert—

"(5) Where the qualifying expenditure described in subsection (4)(b) consists of or includes freeport qualifying expenditure (as defined in section 270BNA), a statement is not an allowance statement unless it states the amount of the freeport qualifying expenditure."

PART 3

RELATED AMENDMENTS

TMA 1970

13 In section 98 of TMA 1970 (penalty for failure to provide information etc), in the second column of the Table, in the entry relating to CAA 2001, after "45G(4) and (5)," insert "45R(5) and (6),".

CAA 2001

14 CAA 2001 is amended as follows.

15 (1) Section 3 (claims for capital allowances) is amended as follows.

(2) After subsection (2) insert—

"(2ZZA) Any claim for a first-year allowance under section 45O (expenditure on plant and machinery for use in freeport tax sites) must include, or be accompanied by, such information as Her Majesty's Revenue and Customs may require."

(3) In subsection (2ZA)—

(a) after "allowances)" insert "—

(a)",

and

(b) at the end insert ", and

(b) where it relates to freeport qualifying expenditure (as defined in section 270BNA), must include, or be accompanied by, such information as Her Majesty's Revenue and Customs may require."

16 (1) Section 570B (orders and regulations) is amended as follows.

(2) In subsection (3), for "70YJ" substitute "45P, 70YJ or 270BNC".

(3) After that subsection insert—

"(4) An instrument containing regulations under section 45P or 270BNC must be laid before the House of Commons after being made.

(5) If the regulations are not approved by the House of Commons before the end of the period of 28 days beginning with the day on which they are made, they cease to have effect at the end of that period (if they have not already ceased to have effect under subsection (6)).

(6) If, on any day during that period of 28 days, the House of Commons, in proceedings on a motion that (or to the effect that) the regulations be approved, comes to a decision rejecting the regulations, they shall cease to have effect at the end of that day.

(7) In reckoning any such period of 28 days, no account is to be taken of any time during which—

(a) Parliament is prorogued or dissolved, or

(b) the House of Commons is adjourned for more than four days.

(8) Where regulations cease to have effect under subsection (6), their ceasing to have effect is without prejudice to anything done in reliance on them."

17 After section 573 insert—

"**573A Freeport tax sites**

In this Act, "freeport tax site" means an area for the time being designated under section 113 of the Finance Act 2021."

18 In Part 2 of Schedule 1 to CAA 2001 (defined expressions), at the appropriate place insert—

"freeport tax site	section 573A".