

Status: Point in time view as at 27/07/1993.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1991, Part II. (See end of Document for details)

SCHEDULES

SCHEDULE 14

CAPITAL ALLOWANCES: VAT CAPITAL GOODS SCHEME

PART II

MACHINERY AND PLANT

Transitional relief for regional projects

- 6 (1) In section 22 of that Act (first-year allowances: transitional relief for regional projects) after subsection (1) there shall be inserted—

“(1A) Subsection (1B) below applies in any case where a person—

- (a) has at any time incurred, as mentioned in paragraphs (a) and (b) of subsection (1) above, capital expenditure to which this section applies, and
- (b) subsequently incurs an additional VAT liability in respect of that capital expenditure at a time when the machinery or plant is provided wholly and exclusively for the purposes of the trade.

(1B) Where this subsection applies, then, for the purposes of this Act—

- (a) the additional VAT liability shall be regarded as capital expenditure incurred by the person on the provision of the machinery or plant wholly and exclusively for the purposes of the trade, and
- (b) that capital expenditure shall be regarded as expenditure in consequence of the incurring of which the machinery or plant belongs, or has belonged, to him at some time during the chargeable period related to the incurring of the capital expenditure,

and, subject to the following provisions of this Act, a first-year allowance shall accordingly be made to him under subsection (1) above for the chargeable period related to the incurring of that liability.”

- (2) After subsection (3) of that section there shall be inserted—

“(3A) This section also applies to any additional VAT liability incurred in respect of expenditure certified under subsection (2) or (3) above.”

Writing-down allowances and balancing adjustments

- 7 (1) In section 24 of that Act, after subsection (1) (expenditure on machinery or plant qualifying for writing-down allowances) there shall be inserted—

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“(1A) If, in a case where the circumstances are as mentioned in paragraphs (a) and (b) of subsection (1) above, the person there mentioned incurs an additional VAT liability in respect of the capital expenditure at a time when the machinery or plant is provided wholly and exclusively for the purposes of the trade, then, for the purposes of this Act—

- (a) that liability shall be regarded as capital expenditure incurred by him on the provision of the machinery or plant wholly and exclusively for the purposes of the trade, and
- (b) that capital expenditure shall be regarded as expenditure in consequence of the incurring of which the machinery or plant belongs, or has belonged, to him,

and, subject to the following provisions of this Act, subsection (1) above shall have effect accordingly in relation to the capital expenditure constituted by that liability.”

- (2) At the beginning of subsection (6) of that section (disposal value) there shall be inserted the words “Subject to subsection (7) below,” and after that subsection there shall be inserted—

“(7) This subsection applies to all machinery and plant—

- (a) on the provision of which for the purposes of the trade a person has incurred capital expenditure;
- (b) which belongs to him at some time in a chargeable period or its basis period; and
- (c) in respect of which the following event occurs, namely, the making of an additional VAT rebate to him in that chargeable period or its basis period in respect of the capital expenditure incurred by him on the provision of the machinery or plant;

and where this subsection applies to any machinery or plant the amount that is to be brought into account by virtue of subsection (6) above by that person for the chargeable period related to the making of the rebate shall be increased by the addition of (or, if there would not otherwise be a disposal value for that chargeable period, shall be) the disposal value of the machinery or plant in respect of which that rebate is made.

- (8) Except in subsection (7) above, any reference in this Act to subsection (6) above (but not a reference to any specific provision of it) shall be taken to include a reference to subsection (7) above.”

The disposal value

- 8 (1) In section 26 of that Act (which defines the disposal value by reference to the event giving rise to it) in subsection (1), after paragraph (e) there shall be inserted—

“(ee) if that event is the making of an additional VAT rebate in respect of capital expenditure incurred on the provision of the machinery or plant, equals the amount of that rebate; and”.

- (2) At the end of subsection (2) of that section (disposal value not to exceed expenditure on the provision of the machinery or plant for the purposes of the trade) there shall be added the words—

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“reduced by the aggregate amount of any additional VAT rebates made to him in respect of any of that capital expenditure.

(2A) If the event by reason of which a disposal value is to be brought into account is the making of an additional VAT rebate to a person, subsection (2) above shall have effect as if the capital expenditure referred to in that subsection were reduced (or further reduced) by the amount of any disposal value brought into account by that person in respect of the machinery or plant by reason of any earlier event (other than the making of an additional VAT rebate).”

(3) At the end of that section there shall be added—

“(4) Where an additional VAT rebate has been made to any of the persons mentioned in subsection (3) above in respect of the capital expenditure incurred by him as there mentioned, that capital expenditure shall, in his case, be treated as reduced by the amount of the rebate, but no further reduction shall be made under subsection (2) above.”

Short-life assets

9 (1) In section 37 of that Act, after subsection (4) (allowances for the notional trade to be given for the corresponding period of the actual trade) there shall be inserted—

“(4A) In any case where—

- (a) a balancing allowance that would, on the assumptions in subsection (3) above, fall to be made to the trader for a chargeable period in the case of the notional trade has, by virtue of subsection (4) above, been made to him for a chargeable period in the case of the actual trade,
- (b) after the chargeable period of the notional trade related to its permanent discontinuance for the purposes of sections 24, 25 and 26, he incurs an additional VAT liability in respect of the capital expenditure incurred on the provision of the machinery or plant, and
- (c) that liability was not brought into account in determining the amount of the balancing allowance,

a further balancing allowance, of an amount equal to the liability, shall be made to him for the chargeable period of the actual trade related to the incurring of the liability (and the liability shall not be brought into account for any chargeable period in the case of the notional trade).”

(2) In subsection (5) of that section (no disposal value brought into account before fourth anniversary) after the word “If there shall be inserted the words “disregarding section 24(7) ”.

Fixtures

10 In section 54(1)(c) of that Act (which refers to a person being required to bring the disposal value of a fixture into account under section 24) after the words “section 24

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there shall be inserted the words “otherwise than by virtue of subsection (7) of that section”.

Further restrictions on allowances

- 11 (1) In section 75 of that Act (connected persons etc) in subsection (1) (provision by purchase of machinery or plant)—
- (a) after the words “in respect of the expenditure there shall be inserted the words “or any additional VAT liability incurred in respect of it”; and
 - (b) for the words “so much (if any) of the expenditure there shall be substituted the words “so much (if any) of the aggregate of the expenditure and any such additional VAT liability”.
- (2) In subsection (2) of that section (contracts under which a person will or may become the owner of machinery or plant)—
- (a) after the words “so far as relating to that machinery or plant there shall be inserted the words “or in respect of any additional VAT liability incurred by him in respect of any such expenditure”; and
 - (b) for the words “so much (if any) of the expenditure there shall be substituted the words “so much (if any) of the aggregate of the expenditure and any such additional VAT liability”.
- (3) In subsection (3) of that section (assignment of benefit of such contracts)—
- (a) after the words “consideration for the assignment there shall be inserted the words “or in respect of any additional VAT liability incurred by him in respect of any such expenditure”; and
 - (b) for the words “so much (if any) of the assignee’s expenditure there shall be substituted the words “so much (if any) of the aggregate of the assignee’s expenditure and any such additional VAT liability”.
- (4) In section 76 of that Act (extension of section 75) after subsection (2) (provision for open market value etc to be brought into account where there is no disposal value) there shall be inserted—
- “(2A) In any case where—
- (a) section 75(1) has effect with the modification specified in paragraph (a) of subsection (2) above, but
 - (b) the open market value of the machinery or plant in question is determined for the purposes of those provisions inclusive of value added tax,
- section 75(1) as so modified shall have effect with the omission of the words “the aggregate of and “and any such additional VAT liability.
- (2B) For the purposes of paragraphs (b) and (c) of subsection (2) above—
- (a) any additional VAT liability incurred by the seller or, as the case may be, any person connected with him in respect of capital expenditure incurred on the provision of the machinery or plant shall be regarded as capital expenditure incurred on the provision of the machinery or plant, and
 - (b) any additional VAT rebate made to the seller or, as the case may be, any person connected with him in respect of any such expenditure

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shall be regarded as reducing the amount of capital expenditure so incurred by him,

to the extent that the liability or rebate in question would not, apart from this subsection, fall to be so regarded.”

- (5) In subsection (4) of that section (application of subsections (2) and (3) in relation to section 75(2) and (3)) for the words “Subsections (2) and (3) there shall be substituted the words “Subsections (2), (2A), (2B) and (3) ”.

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