



# Finance Act 2000

## 2000 CHAPTER 17

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### OTHER PROVISIONS

#### *Capital allowances*

#### **70 First year allowances for small or medium-sized enterprises**

(1) In section 22(3D) of the Capital Allowances Act 1990 (expenditure qualifying for 40% first year allowances), for “in the period beginning with 2nd July 1998 and ending with 1st July 2000” substitute “on or after 2nd July 1998”.

(2) In that Act—

(a) in section 22(3C)(a), (3CA)(a) and (3D)(a), for “a small company or a small business” substitute “a small or medium-sized enterprise”;

(b) in section 22A—

(i) in the sidenote, for “small company or small business”,

(ii) in subsection (1) for “small company”, and

(iii) in subsection (2) for “small business”,

substitute “small or medium-sized enterprise”.

The amendments in this subsection are of nomenclature only.

#### **71 First year allowances for ICT expenditure by small enterprises**

(1) In section 22 of the Capital Allowances Act 1990 (first-year allowances), after subsection (3D) insert—

---

*Status: This is the original version (as it was originally enacted).*

---

“(3E) This section applies to—

- (a) any expenditure on information and communications technology which, disregarding any effect of section 83(2) on the time at which it is to be treated as incurred, is incurred by a small enterprise in the period beginning with 1st April 2000 and ending with 31st March 2003; and
- (b) any additional VAT liability incurred in respect of expenditure to which this section applies by virtue of paragraph (a) above.

(3F) For the purposes of subsection (3E) above expenditure on information and communications technology means expenditure on items within any of the classes set out in subsection (3G) below.

(3G) The classes referred to in subsection (3F) above are as follows:

*A. Computers and associated equipment*

This class covers—

- (a) computers,
- (b) peripheral devices designed to be used by being connected to or inserted in a computer,
- (c) equipment (including cabling) for use primarily to provide a data connection—
  - (i) between one computer and another, or
  - (ii) between a computer and a data communications network,
- (d) dedicated electrical systems for computers.

For this purpose “computer” does not include computerised control or management systems or other systems that are part of a larger system whose principal function is not processing or storing information.

*B. Other qualifying equipment*

This class covers—

- (a) wireless application protocol telephones,
- (b) third generation mobile telephones,
- (c) devices designed to be used by being connected to a television set that are capable of receiving and transmitting information from and to data networks, and
- (d) other devices substantially similar to those within paragraphs (a), (b) and (c) that are capable of receiving and transmitting information from and to data networks.

This is subject to any order under subsection (3H) below.

*C. Software*

This class covers the right to use or otherwise deal with software for the purposes of any equipment within Class A or B above.

(3H) The Treasury may make provision by order—

- (a) further defining the descriptions of equipment within Class B in subsection (3G), or
- (b) adding further descriptions of equipment to that class.”.

---

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

---

- (2) In sections 22(4), (6B) and (6C), 23(6), 42(9) and 50(3) and (4A) of that Act, for “and (3D)” substitute “, (3D) and (3E)”.
- (3) In sections 43(5), 44(5), 46(8) and 48(7) of that Act, for “or (3D)” substitute “, (3D) or (3E)”.
- (4) In section 39(2)(a) of that Act for “to (3D)” substitute “to (3E)”.

## 72 Expenditure of a small enterprise

After section 22A of the Capital Allowances Act 1990, insert—

### “22AA Expenditure of a small enterprise

- (1) For the purposes of section 22 capital expenditure incurred by a company is capital expenditure incurred by a small enterprise if the company—
  - (a) qualifies as small in relation to the financial year of the company in which the expenditure is incurred, and
  - (b) is not a member of a large or medium-sized group at the time when the expenditure is incurred.
- (2) For the purposes of section 22, capital expenditure is capital expenditure incurred by a small enterprise if—
  - (a) it is incurred by a business for the purposes of a trade (the “first trade”) carried on by that business, and
  - (b) were the first trade carried on by a company (the “hypothetical company”) in the circumstances set out in subsection (3) below, that company would qualify as small in relation to the financial year of that company in which the expenditure would be treated as incurred.
- (3) Those circumstances are—
  - (a) that every trade, profession or vocation carried on by the business concerned is carried on by the business as a part of the first trade,
  - (b) that the financial years of the hypothetical company coincide with the chargeable periods of the business concerned, and
  - (c) that accounts of the hypothetical company for any relevant chargeable period were prepared in accordance with the requirements of the Companies Act 1985 as if that period were a financial year of the company.
- (4) Subject to subsection (5) below, a company is a member of a large or medium-sized group at the time when any expenditure is incurred if—
  - (a) it is at that time the parent undertaking of a group which does not qualify as small in relation to the financial year of the parent company in which that time falls; or
  - (b) it is at that time a subsidiary undertaking in relation to the parent undertaking of such a group.
- (5) If, at the time when any expenditure is incurred by any company any arrangements exist which are such that, had effect been given to them immediately before that time, the company or a successor of the company would, at that time, have been a member of a large or medium-sized group, this

---

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

---

section shall have effect as if the company concerned was a member of a large or medium-sized group at that time.

- (6) In this section the following expressions have the same meaning as in section 22A above: “arrangements”, “business”, “company”, “financial year”, “group”, “parent undertaking” and “subsidiary undertaking”.
- (7) References in this section, in relation to a company, to its qualifying as small—
- (a) except in the case of a company formed and registered in Northern Ireland, are references to its so qualifying, or being treated as so qualifying, for the purposes of section 247 of the Companies Act 1985; and
  - (b) in the case of a company so formed and registered, are references to a company so qualifying, or being treated as so qualifying, for the purposes of Article 255 of the Companies (Northern Ireland) Order 1986.
- (8) In relation to a company with respect to which the question arises whether it is or would be a member of a large or medium-sized group, references to a group’s qualifying as small—
- (a) except in the case of a company formed and registered in Northern Ireland, are references to its so qualifying, or being treated as so qualifying, for the purposes of section 249 of the Companies Act 1985; and
  - (b) in the case of a company so formed and registered, are references to its so qualifying, or being treated as so qualifying, for the purposes of Article 257 of the Companies (Northern Ireland) Order 1986;
- but for the purposes of this section each of those provisions shall be construed as if references, in relation to a group, to the parent company were references to the parent undertaking.
- (9) For the purposes of this section a company is the successor of another if—
- (a) it carries on a trade which, in whole or in part, the other company has ceased to carry on, and
  - (b) the circumstances are such that section 343 of the principal Act applies in relation to the two companies as the predecessor and the successor within the meaning of that section.”.

### **73 Repeal of notification requirements**

- (1) In section 118 of the Finance Act 1994 (notification requirements)—
- (a) subsections (1) to (5) and (7) to (9) shall cease to have effect; and
  - (b) in subsection (6), for “the provisions mentioned in subsection (2) above” there shall be substituted—
    - “(a) section 25(1) of the Capital Allowances Act 1990 (meaning of qualifying expenditure for the purposes of writing-down allowances for expenditure on machinery or plant); and
    - (b) section 44(4) of the Finance Act 1971 (provision corresponding to section 25(1) applicable to earlier chargeable periods),”.

---

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

---

- (2) This section has effect for chargeable periods as respects which the period specified in subsection (3A) of that section ends on or after 1st April 2000.

#### **74 Pool for certain leased assets and inexpensive cars**

- (1) In section 41 of the Capital Allowances Act 1990 (writing-down allowances etc for leased assets and inexpensive cars)—
- (a) in subsection (1), paragraphs (b) and (c) and the word “or” at the end of paragraph (a); and
  - (b) in subsection (4), paragraph (a) and, in paragraph (b), the words from “or within (1)(b) or (c)” to “subsection (1)(c)” and the words “or subsection (1) (b) or (c)”,
- shall cease to have effect for chargeable periods ending on or after the relevant date.
- (2) Subsection (3) below applies where—
- (a) immediately before the end of the relevant chargeable period, a person was treated for the purposes of sections 24, 25 and 26 of the Capital Allowances Act 1990 as having incurred expenditure on the provision of machinery or plant wholly and exclusively for the purposes of a separate trade carried on by him;
  - (b) the expenditure fell within subsection (1)(b) or (c) of section 41 of that Act; and
  - (c) qualifying expenditure in respect of the separate trade for the relevant chargeable period exceeded any disposal value brought into account in respect of that trade for that period.
- (3) The balance of the excess (after the deduction of any writing-down allowances made by reference to it) shall be treated for the purposes of sections 24, 25 and 26 of the Capital Allowances Act 1990 as capital expenditure which—
- (a) was incurred by that person in the relevant chargeable period on the provision of the machinery or plant for the purposes of the trade which is the actual trade for the purposes of section 41 of that Act; and
  - (b) does not form part of his qualifying expenditure for that period.
- (4) In this section—
- “the relevant chargeable period” means the chargeable period immediately preceding that which begins on or before and ends on or after the relevant date;
  - “the relevant date” means, subject to subsection (5) below, 6th April 2000 for the purposes of income tax and 1st April 2000 for the purposes of corporation tax.
- (5) A person may, by a notice given to an officer of the Board, elect that this section shall have effect in relation to any trade carried on by him as if the relevant date were 6th April 2001 or, as the case may be, 1st April 2001.

#### **75 Machinery and plant allowances for non-residents etc**

- (1) In section 83 of the Capital Allowances Act 1990 (interpretation of Part II), after subsection (2) there shall be inserted—
- “(2A) In this Part (except in Chapter V and sections 64A and 75 to 78), references—
- (a) to a trade, or

---

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

---

- (b) to activities falling in accordance with section 28A, 29 or 61 to be treated as a trade,

shall be construed as if activities were capable of being comprised in a trade, or of being treated as a trade, to the extent only that they are activities the profits or gains from which are, or (if there were any) would be, chargeable to income tax or corporation tax.”.

- (2) After section 79 of that Act there shall be inserted—

**“79A Reduction in qualifying use**

- (1) This section applies where—
- (a) any expenditure falls, for the purposes of making allowances or charges, to be treated in accordance with section 79 as incurred on the provision of machinery or plant for the purposes of a notional trade;
  - (b) there is such a change of circumstances as would make it appropriate for any reduction falling to be made under subsection (5) of that section—
    - (i) for the chargeable period in which the change takes place (“the relevant chargeable period”), or
    - (ii) for any subsequent chargeable period,
 to represent a larger proportion of the amount reduced than would have been appropriate apart from the change;
  - (c) no disposal value in respect of the machinery or plant would, apart from this section, fall to be brought into account for the relevant chargeable period; and
  - (d) the open market value of the machinery or plant at the end of the relevant chargeable period exceeds the qualifying expenditure in respect of the notional trade for that period by more than £1 million.
- (2) It shall be assumed that the notional trade is permanently discontinued immediately before the end of the relevant chargeable period.
- (3) Section 79(3) shall have effect as if immediately after the beginning of the following chargeable period expenditure had been incurred on the provision of the machinery or plant of an amount equal to the disposal value brought into account by virtue of subsection (2) above.
- (4) In this section “open market value” has the same meaning as in section 76.”.

- (3) In section 81 of that Act (effect of bringing an asset into use for the purposes of a trade after it has been used for a purpose that does not attract capital allowances), after subsection (2) there shall be inserted—

“(2AA) Where—

- (a) a person is treated by virtue of subsection (1)(a) above as having incurred capital expenditure on the provision of machinery or plant, and
- (b) the sum which (apart from this subsection) would be taken to be the amount of that expenditure is more than the amount of capital expenditure actually incurred by that person on the provision of the machinery or plant,

---

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

---

the amount of the capital expenditure treated by virtue of subsection (1)(a) above as incurred on the provision of the machinery or plant shall be deemed (subject to subsection (2AB) below) to be equal to the amount actually so incurred by that person.

(2AB) Where any of the amount of capital expenditure actually incurred on the provision of the machinery or plant by the person in question would have fallen by virtue of section 75, 76 or 76A to be disregarded for the purposes of sections 24, 25 and 26 had it been in consequence of that expenditure that the machinery or plant was provided for the purposes of a trade, the references in subsection (2AA) above to that amount shall be construed as references to only so much of that expenditure as would not have fallen to be so disregarded.”.

(4) In Schedule 19AC to the Taxes Act 1988 (overseas life insurance companies), in paragraph 10B (modifications of section 440), after sub-paragraph (2) there shall be inserted—

“(2A) The following subsection shall be treated as inserted after subsection (4)—

( Section 81 of the 1990 Act (as it has effect by virtue of section 83(2A) of that Act) shall apply in relation to any case in which an asset or part of an asset held by an overseas life insurance company—

- (a) ceases to be within the category set out in paragraph (h) of subsection (4) above; and
- (b) at the same time comes within another of the categories set out in that subsection.”.”.

(5) In section 53 of the Capital Allowances Act 1990—

- (a) in subsection (1), paragraph (bb) (which, for the purposes of making allowances in respect of machinery or plant subject to equipment leasing, requires the equipment lessee to be within the charge to tax) shall cease to have effect; and
- (b) in subsection (1B)(b), for “paragraphs (bb) and” there shall be substituted “paragraph”.

(6) In this section—

- (a) subsections (1), (4) and (5) have effect for chargeable periods ending on or after 21st March 2000;
- (b) subsection (2) has effect where the change of circumstances occurs on or after that date; and
- (c) subsection (3) has effect where the condition mentioned in section 81(1)(a) of that Act is fulfilled on or after that date.

## 76 Production animals

(1) Section 82 of the Capital Allowances Act 1990 (capital expenditure to which Part II does not apply) shall be renumbered as subsection (1) of that section; and after that provision as so renumbered there shall be inserted—

“(2) This Part shall not apply to capital expenditure—

---

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

---

- (a) on animals or other creatures to which Schedule 5 to the principal Act (treatment of farm animals etc for purposes of Case I of Schedule D) applies; or
  - (b) on shares in such animals or creatures.”.
- (2) In paragraph 9(4) of Schedule 5 to the Taxes Act 1988 (treatment of farm animals etc for purposes of Case I of Schedule D), for the words from “in relation to animals” to the end there shall be substituted—
- “(a) in relation to animals or other creatures kept singly as they apply in relation to herds; and
  - (b) in relation to shares in animals or other creatures as they apply in relation to animals or other creatures themselves.”.
- (3) The enactments amended by subsections (1) and (2) above shall be deemed always to have had effect with the amendments made by those subsections.

## 77 Sale and leaseback

- (1) After section 76A of the Capital Allowances Act 1990 insert—

### **“76B Special provision for sale and leaseback cases**

- (1) This section applies where—
- (a) subsection (1), (2) or (3) of section 75 applies by virtue of paragraph (b) (and not by virtue of paragraph (a) or (c)) of that subsection, or is treated (under one or both of sections 76(1) and 76A(1)) as so applying;
  - (b) the conditions set out in subsection (2) below are fulfilled; and
  - (c) the seller and the buyer elect that this section should apply.
- (2) The conditions are—
- (a) that the seller incurred capital expenditure on the provision of the machinery or plant;
  - (b) that the machinery or plant was new at or after the time when it was acquired by the seller;
  - (c) that the machinery or plant was acquired by the seller otherwise than as a result of a transaction to which section 75(1), (2) or (3) applies, or is treated (under one or both of sections 76(1) and 76A(1)) as applying;
  - (d) that the sale is effected not more than four months after the first occasion on which the machinery or plant is brought into use by any person for any purpose;
  - (e) that the seller has not—
    - (i) made a claim for an allowance in respect of capital expenditure incurred on the provision of the machinery or plant;
    - (ii) made a return in which such expenditure is taken into account in determining his qualifying expenditure for the purposes of section 24; or
    - (iii) given notice of any such amendment of a return as provides for such expenditure to be so taken into account.



---

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

---

- (3) In a case where this section applies—
- (a) no allowance shall be made to the seller under this Act in respect of the capital expenditure incurred on the provision of the machinery or plant, or any additional VAT liability incurred in respect of it;
  - (b) the whole amount of that expenditure, and any such liability, shall be left out of account in determining the amount for any period of the seller's qualifying expenditure under section 25;
  - (c) section 76(2) shall have effect as if paragraph (a) were omitted; and
  - (d) section 76A shall have effect as if subsection (5) were omitted.
- (4) An election under this section shall be made by notice to an officer of the Board not more than two years after the time of the sale.
- (5) An election under this section shall be irrevocable once made; and nothing in—
- (a) section 42 of, or Schedule 1A to, the Taxes Management Act 1970 (claims and elections for income tax purposes); or
  - (b) paragraphs 54 to 60 of Schedule 18 to the Finance Act 1998 (claims and elections for corporation tax purposes),
- shall apply to such an election.
- (6) In this section, in a case where section 75(2) applies or is treated as applying, “the seller” means the owner of the machinery or plant, “the buyer” means the person entering into the contract and “the sale” means the making of the contract.
- (7) In this section, in a case where section 75(3) applies or is treated as applying—
- (a) “the seller” means the assignor, “the buyer” means the assignee and “the sale” means the assignment; and
  - (b) references to the machinery or plant being acquired by the seller shall be construed as references to the contract being entered into by the assignor.
- (8) In this section “return” means any return required to be made under the Taxes Management Act 1970 for income tax or corporation tax purposes.”.
- (2) In subsections (1), (2) and (3) of section 75 of that Act, after “76A” there shall be inserted “, 76B”.

## **78 Meaning of “fixture”**

- (1) Section 51 of the Capital Allowances Act 1990 (application and interpretation of Chapter VI: plant and machinery: fixtures) is amended as follows.
- (2) In subsection (1) for the words from the beginning to “other land” substitute—
- “(1) This Chapter applies to determine entitlement to allowances under this Part in respect of expenditure on the provision of machinery or plant that is, or becomes, a fixture;”.
- (3) In subsection (2) (definitions), for the definition of “fixture” substitute—

---

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

---

““fixture”, subject to subsection (2A) below, means machinery or plant that is so installed or otherwise fixed in or to a building or other description of land as to become, in law, part of that building or other land;”.

(4) After subsection (2), insert—

“(2A) In this Chapter—

“fixture” includes any boiler, or water-filled radiator, installed in a building as part of a space or water heating system; and

“relevant land”, in relation to such a fixture, means the building in which it is so installed.”.

(5) For subsection (8) substitute—

“(8) Nothing in this Chapter affects the entitlement of any person to an allowance by virtue of section 154 (allowances in respect of contributions to capital expenditure).”.

(6) The amendments in this section shall be deemed always to have had effect.

## **79 Leased assets under the Affordable Warmth Programme**

(1) In section 53 of the Capital Allowances Act 1990 (fixtures: expenditure incurred by equipment lessor), after subsection (1C) insert—

“(1D) Where the conditions in subsection (1E) below are satisfied in any case, subsection (1) above shall have effect as if the following were omitted, that is to say—

- (a) in paragraph (b), the words from “for the purposes of” to “by the equipment lessee”, and
- (b) paragraphs (ba), (bb) and (d).

(1E) Those conditions are—

- (a) that the machinery or plant consists of a boiler, heat exchanger, radiator or heating control that is installed in a building as part of a space or water heating system; and
- (b) that the agreement for the lease is approved for the purposes of this section as entered into as part of the Affordable Warmth Programme.

(1F) The approval mentioned in subsection (1E)(b) above may be given, with the consent of the Treasury—

- (a) by the Secretary of State;
- (b) in the case of buildings in Scotland, by the Scottish Ministers;
- (c) in the case of buildings in Wales, by the National Assembly for Wales;
- (d) in the case of buildings in Northern Ireland, by the Department for Social Development in Northern Ireland.

(1G) Where any such approval is withdrawn—

- (a) the approval shall be treated for the purposes of subsection (1E)(b) above as never having had effect, and
- (b) all such assessments and adjustments of assessments shall be made as are necessary in consequence of the withdrawal of the approval.

---

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

---

- (1H) Where a person who has made a return becomes aware that anything contained in the return has, after being made, become incorrect by reason of the withdrawal of any such approval, he shall, within three months of first becoming so aware, give notice to an officer of the Board of the amendments required to his return in consequence of the withdrawal of approval.”.
- (2) In the second column of the table in section 98 of the Taxes Management Act 1970 (penalty for failure to provide information etc.), in the entry relating to requirements imposed by provisions of the Capital Allowances Act 1990, for “and 51(6A)” substitute “51(6A) and 53(1H)”.
- (3) This section has effect in relation to expenditure incurred after the passing of this Act and before 1st January 2008.

## **80 Fixtures and machinery and plant on hire-purchase etc**

- (1) In section 60 of the Capital Allowances Act 1990 (machinery and plant on hire-purchase etc.), after subsection (3) insert—
- “(4) This section has effect subject to section 60A below.”.
- (2) After that section insert—

### **“60A Machinery and plant on hire-purchase etc.: fixtures**

- (1) Section 60 does not—
- (a) apply to expenditure incurred on machinery or plant that is a fixture, or
- (b) prevent Chapter VI of this Part (fixtures) applying in relation to expenditure on machinery or plant incurred under such a contract as is mentioned in subsection (1) of that section.
- (2) If machinery or plant that is treated as belonging to a person under section 60 becomes a fixture, then, unless it is treated under Chapter VI of this Part as belonging to that person, it shall be treated for the purposes of this Part as ceasing to belong to him at the time when it becomes a fixture.
- (3) In this section “fixture” has the same meaning as in Chapter VI of this Part.”.
- (3) In section 60A of that Act (as inserted by subsection (2) above)—
- (a) subsection (1) shall be deemed always to have had effect, and
- (b) subsection (2) does not apply where the machinery or plant concerned became a fixture (within the meaning of that section) before the passing of this Act.

## **81 Production sharing contracts**

- (1) After section 64 of the Capital Allowances Act 1990 insert—

### **“64A Production sharing contracts**

- (1) Subsection (2) below applies where—

---

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

---

- (a) a person (“the contractor”) is entitled to an interest in a contract made with, or with the authorised representative of, the government of a country or territory in which oil is or may be produced;
  - (b) the contract provides (among other things) that any machinery or plant of a description specified in the contract which—
    - (i) is provided by the contractor; and
    - (ii) is used for qualifying purposes under the contract,
 shall (whether immediately or at some later time) be transferred to the government or representative;
  - (c) the contractor incurs capital expenditure on the provision of machinery or plant of a description so specified which, for the purposes of a trade of oil extraction carried on by him, is to be used for qualifying purposes under the contract;
  - (d) the amount of that expenditure is commensurate with the value of the contractor’s interest under the contract; and
  - (e) in accordance with the provision mentioned in paragraph (b) above, the machinery or plant is transferred to the government or representative.
- (2) The machinery or plant shall, notwithstanding the transfer and subject to subsection (6) below, be deemed for the purposes of this Part to belong to the contractor (and not to any other person) until such time as it—
- (a) ceases to belong to the government or representative; or
  - (b) ceases to be used, or held for use, by any person under the contract.
- (3) Subsection (4) below applies where, in a case falling within subsection (1)(a) and (b) above—
- (a) a person (“the participator”) acquires an interest in the contract, whether from the contractor or from another person who has acquired it (directly or indirectly) from the contractor;
  - (b) the participator incurs capital expenditure on the provision of machinery or plant which, for the purposes of a trade of oil extraction carried on by him, is to be used for qualifying purposes under the contract;
  - (c) the amount of that expenditure is commensurate with the value of the participator’s interest under the contract; and
  - (d) in accordance with the provision mentioned in subsection (1)(b) above, the machinery or plant is transferred to the government or representative.
- (4) The machinery or plant shall, notwithstanding the transfer and subject to subsection (6) below, be deemed for the purposes of this Part to belong to the participator (and not to any other person) until such time as it—
- (a) ceases to belong to the government or representative; or
  - (b) ceases to be used, or held for use, by any person under the contract.
- (5) Subsections (6) to (9) below apply where, in a case falling within subsection (1)(a) and (b) above—
- (a) a person (“the participator”) acquires an interest in the contract, whether from the contractor or from another person who has acquired it (directly or indirectly) from the contractor; and

---

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

---

- (b) some of the expenditure incurred by the participator to acquire his interest in the contract is attributable to machinery or plant which—
        - (i) is deemed by subsection (2) above to belong to the contractor;  
or
        - (ii) is deemed by subsection (4) above or subsection (6) below to belong to another person (“the other participator”).
  - (6) The machinery or plant shall, subject to any subsequent application of this subsection, be deemed for the purposes of this Part to belong to the participator (and not to any other person) until such time as it—
    - (a) ceases to belong to the government or representative; or
    - (b) ceases to be used, or held for use, by any person under the contract.
  - (7) The contractor or, as the case may be, the other participator shall be deemed for the purposes of this Part to have disposed of the machinery or plant for a consideration equal to the expenditure attributable as mentioned in subsection (5)(b) above.
  - (8) The participator shall be deemed for the purposes of this Part to have incurred, on the provision of the machinery or plant, capital expenditure of an amount which, subject to subsection (9) below, is equal to the expenditure so attributable.
  - (9) There shall be disregarded for the purposes of this Part so much (if any) of the expenditure deemed to be incurred by the participator on the provision of the machinery or plant as exceeds any disposal value which falls to be brought into account by the contractor or, as the case may be, the other participator by reason of his deemed disposal of the machinery or plant.
  - (10) In determining for the purposes of this Part the expenditure which is attributable as mentioned in subsection (5)(b) above, regard shall be had to what is just and reasonable in all the circumstances.
  - (11) For the purposes of this section machinery or plant is used for qualifying purposes if it is used—
    - (a) to explore for, win access to or extract oil;
    - (b) for the initial storage or treatment of oil; or
    - (c) for other purposes ancillary to the extraction of oil.
  - (12) In this section “oil” has the same meaning as in section 196 of the Taxation of Chargeable Gains Act 1992.”.
- (2) In section 26(1) of the Capital Allowances Act 1990 (disposal value), for the word “and” at the end of paragraph (ee) there shall be substituted—
- “(ef) if that event is a deemed disposal of the machinery or plant which arises solely by virtue of subsection (2), (4) or (6) of section 64A and capital compensation is received by the contractor or participator (within the meaning of that subsection), equals the amount of that compensation;
  - (eg) if that event is such a deemed disposal and no such compensation is so received, equals nil; and”.
- (3) This section has effect where the capital expenditure—
- (a) is incurred on or after 21st March 2000; or

---

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

---

- (b) is treated as incurred by virtue of section 81(1)(a) of the Capital Allowances Act 1990 and the condition mentioned in that provision is fulfilled on or after that date.