
Status: Point in time view as at 18/04/2005.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 4. (See end of Document for details)

SCHEDULES

SCHEDULE 3

TRANSITIONALS AND SAVINGS

PART 4

PLANT AND MACHINERY ALLOWANCES

Introduction

Use for qualifying activity of plant or machinery provided for other purposes

- 11 Subsections (4) and (5) of section 13 do not apply if the plant or machinery was brought into use before 21st March 2000.

Use for qualifying activity of plant or machinery which is a gift

- 12 Section 14 applies with the insertion after subsection (1) of—
- “(1A) This section does not apply unless the donor was required by section 24(6) of CAA 1990 to bring into account for the purposes there mentioned a disposal value equal to the price which the plant or machinery would have fetched if sold in the open market at the time of the gift.”,
- if the plant or machinery was brought into use before 27th July 1989.

Qualifying expenditure

Buildings, structures and land

- 13 Sections 21 to 24 do not apply in relation to expenditure—
- (a) incurred before 30th November 1993;
 - (b) incurred before 6th April 1996 in pursuance of a contract entered into before 30th November 1993; or
 - (c) incurred before 6th April 1996 in pursuance of a contract entered into on or after 30th November 1993 for the purpose of securing that obligations under a contract entered into before 30th November 1993 are complied with.

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First-year qualifying expenditure

ICT expenditure incurred by small companies

- 14 Section 45 does not apply in relation to expenditure incurred before 1st April 2000.

Hire-purchase and similar contracts

Plant or machinery acquired under hire purchase etc.

- 15 Section 67(2) applies with the omission of the words in brackets if the contract under which the expenditure was incurred was entered into before 27th July 1989.

Plant or machinery on hire purchase etc.: fixtures

- 16 Section 69(2) does not apply if the plant or machinery became a fixture before 28th July 2000.

Plant or machinery provided by lessee

- 17 In section 70(1), paragraphs (c) and (d) do not apply if the lease was entered into before 12th July 1984, or on or after that date under an agreement made before that date.

Computer software

Software and rights to software

- 18 Section 71 does not apply to expenditure incurred before 10th March 1992.

Cars, etc.

Cars above the cost threshold

- 19 In relation to expenditure incurred or treated as incurred before 11th March 1992, or incurred under a contract entered into before that date—
- (a) sections 74(2) and 76(3) apply with the substitution of “ £8,000 ” for “£12,000”; and
 - (b) sections 75(1) and 76(2) and (4) apply with the substitution of “ £2,000 ” for “£3,000”.

Long-life assets

Long-life asset expenditure

- 20 (1) Chapter 10 of Part 2 does not apply to any expenditure incurred—
- (a) before 26th November 1996, or
 - (b) before 1st January 2001 in pursuance of a contract entered into before 26th November 1996.

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- (2) Chapter 10 of Part 2 does not apply to expenditure incurred by any person (“the purchaser”) on the acquisition of a long-life asset from another (“the seller”) if—
- (a) the seller has made a Part 2 claim in respect of expenditure incurred on the provision of the asset (“the seller’s expenditure”),
 - (b) the claim is one which the seller was entitled to make,
 - (c) the seller’s expenditure did not fall to be treated as long-life asset expenditure for the purposes of the claim, and
 - (d) the seller’s expenditure would have been so treated if one or more of the assumptions specified in sub-paragraph (3) were made.
- (3) The assumptions are that—
- (a) expenditure falling within sub-paragraph (1) is not prevented by that sub-paragraph from being long-life asset expenditure,
 - (b) the seller’s expenditure was not prevented by sub-paragraph (2) from being long-life asset expenditure, and
 - (c) Chapter 10 of Part 2 or any provision corresponding to it applied for chargeable periods ending before 26th November 1996.
- (4) The reference in sub-paragraph (1) to expenditure incurred in pursuance of a contract entered into before 26th November 1996 does not, in the case of a contract varied at any time on or after that date, include a reference to any expenditure incurred under the contract that exceeds the expenditure that would have been incurred if the contract had not been varied.
- (5) Expressions used in this paragraph and in Chapter 10 of Part 2 have the same meaning in this paragraph as in that Chapter; and in particular references in this paragraph to a “Part 2 claim” are to be read in accordance with section 103(3).

Overseas leasing

Meaning of “overseas leasing”

- 21 Section 105(2) applies with the substitution for paragraph (b) of—
- “(b) does not use the plant or machinery for the purposes of a qualifying activity carried on there or for earning profits chargeable to tax by virtue of section 830(4) of ICTA,”
- in relation to the use of plant or machinery for leasing under a lease entered into before 16th March 1993.

Recovery of first-year allowances in case of joint lessees

- 22 (1) Sub-paragraphs (2) and (3) apply if—
- (a) expenditure has been incurred on the provision of plant or machinery which is leased as described in section 116(1), and
 - (b) the whole or a part of the expenditure has qualified for a first-year allowance under—
 - (i) section 43(4) of CAA 1990, or
 - (ii) paragraph 47(7).

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- (2) Section 117(1) applies as if the reference in paragraph (b) to expenditure qualifying for a normal writing-down allowance under section 116(3) included a reference to expenditure qualifying for the first-year allowance.
- (3) Subsections (3) to (5) of section 117 apply as if the reference in section 117(3)(b) to expenditure qualifying for a normal writing-down allowance under section 116(3) included a reference to expenditure qualifying for the first-year allowance.

Letting ships or aircraft to obtain old first-year allowance not a qualifying purpose

- 23 Subsections (1) and (2) of section 123 do not apply if the main object, or one of the main objects—
- (a) of the letting of the ship or aircraft on charter,
 - (b) of a series of transactions of which the letting of the ship or aircraft on charter was one, or
 - (c) of any of the transactions in such a series,
- was to obtain a first-year allowance in respect of expenditure which was first-year qualifying expenditure under paragraph 47 and was incurred by any person on the provision of the ship or aircraft.

Ships: deferments etc.

Further registration requirement

- 24 Section 154 does not apply in the case of a ship that was brought into use before 20th July 1994 for the purposes of a qualifying activity carried on by the person incurring the expenditure on the provision of the ship or a person connected with him.

Mining and oil industries

Pre-trading expenditure on mineral exploration and access

- 25 Section 161 does not apply if—
- (a) the person incurred the pre-trading expenditure before 1st April 1986; and
 - (b) before the first day of trading, the mineral exploration and access at the source in question had ceased.

Abandonment expenditure incurred before cessation of ring fence trade

- 26 Section 164 does not apply if the chargeable period in which the abandonment expenditure was incurred ended before 1st July 1991.

Abandonment expenditure incurred after cessation of ring fence trade

- 27 Section 165 does not apply if the abandonment expenditure was incurred before 1st July 1991.

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Oil production sharing contracts

- 28 Sections 167 to 171 do not apply if —
- (a) the expenditure was incurred before 21st March 2000; or
 - (b) the expenditure is treated as incurred by virtue of section 13 and the conditions mentioned in subsection (1) of that section were fulfilled before that date.

Fixtures

Meaning of “interest in land” for purposes of Chapter 14 of Part 2 (fixtures)

- 29 (1) Sub-paragraph (2) applies if paragraph 51 of Schedule 12 to the Abolition of Feudal Tenure etc. (Scotland) Act 2000 has not come into force before the commencement of section 175.
- (2) Section 175(1) has effect until the appointed day as if for paragraph (b) there were substituted—
- “(b) in Scotland, the estate or interest of the proprietor of the dominium utile (or, in the case of property other than feudal property, of the owner) and any agreement to acquire such an estate or interest.”.
- (3) In sub-paragraph (2) “the appointed day” means such day as may be appointed by the Scottish Ministers under section 71 of the Abolition of Feudal Tenure etc. (Scotland) Act 2000 for the coming into force of the Act.

Subordinate Legislation Made

P1 Sch. 3 para. 29: 28.11.2004 appointed under [2000 asp 5, s. 71](#) by [S.S.I. 2003/456, art. 2](#)

Equipment lessors

- 30 Section 177(1)(a)(i) does not apply if the agreement for the lease of the plant or machinery was entered into before 19th March 1997.

Equipment lessee has qualifying activity etc.

- 31 Section 178 applies—
- (a) if the agreement for the lease of the plant or machinery was entered into before 19th March 1997, with the omission of the words “which is or is to be” in paragraph (a) and the addition of the word “ and ” at the end of that paragraph; and
 - (b) if that expenditure was incurred before 24th July 1996, with the omission of paragraph (c) and the substitution for paragraph (b) of—
 - “(b) if the equipment lessee had incurred the capital expenditure incurred by the equipment lessor on the provision of the plant or machinery, he would, by virtue of section 176, be treated as the owner of the fixture as a result of incurring the expenditure”.

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Equipment lessor has right to sever fixture that is not part of building

- 32 Section 179(1) does not apply if the agreement for the lease of the plant or machinery was entered into before 19th March 1997 and applies with—
- (a) the addition at the end of paragraph (e) of the word “ and ”, and
 - (b) the omission of paragraph (g) and the word “and” immediately before it, if the expenditure of the equipment lessor was incurred before 24th July 1996.

Equipment lease is part of affordable warmth programme

- 33 Section 180 does not apply if the expenditure of the equipment lessor was incurred before 28th July 2000.

Purchaser of land giving consideration for fixture

- 34 Section 181 applies with—
- (a) the omission of the word “and” at the end of paragraph (b) of subsection (1); and
 - (b) the insertion after that paragraph of—
 - “(bb) at the time of the purchasers’ acquisition of the interest, either no person has previously become entitled to an allowance in respect of any capital expenditure incurred on the provision of the fixture or, if any person has become so entitled, that person has been or is required to bring the disposal value of the fixture into account under Chapter 5, and”,
- if the purchaser acquired the interest in the relevant land before 24th July 1996.

Purchaser of land discharging obligations of equipment lessee

- 35 Section 182 applies with—
- (a) the omission of the word “and” at the end of paragraph (c) of subsection (1); and
 - (b) the insertion after that paragraph of—
 - “(cc) at the time of the purchasers’ acquisition of the interest, either no person has previously become entitled to an allowance in respect of any capital expenditure incurred on the provision of the fixture or, if any person has become so entitled, that person has been or is required to bring the disposal value of the fixture into account under Chapter 5, and”,
- if the purchaser acquired the interest in the relevant land before 24th July 1996.

Incoming lessee where lessor entitled to allowances

- 36 Section 183 applies with the insertion after subsection (2) of—
- “(3) No election may be made under this section if it appears that the sole or main benefit that may be expected to accrue to the lessor from the grant of

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the lease and the making of an election is the obtaining of an allowance or deduction or a greater allowance or deduction or the avoidance or reduction of a charge under this Part.”,

if the person who had the interest in the relevant land granted the lease before 24th July 1996.

Incoming lessee where lessor not entitled to allowances

37 Section 184 applies with—

- (a) the omission of the word “and” at the end of paragraph (c) of subsection (1); and
- (b) the insertion after that paragraph of—
 - “(cc) at the time of the grant of the lease, no person has previously become entitled to an allowance in respect of any capital expenditure incurred on the provision of the fixture, and”,

if the person who had the interest in the relevant land granted the lease before 24th July 1996.

Fixture on which a plant and machinery allowance has been claimed

38 Section 185 does not apply if the disposal event which required the disposal value to be brought into account as mentioned in subsection (1)(d) occurred before 24th July 1996.

Fixture on which industrial buildings allowance has been made

39 Section 186 does not apply if the time mentioned in subsection (1)(c)(ii) is before 24th July 1996.

Fixture on which research and development allowance has been made

40 Section 187 does not apply if the time mentioned in subsection (1)(d)(ii) is before 24th July 1996.

Disposal value in relation to fixtures: general

41 In relation to a fixture which a person is treated as ceasing to own before 24th July 1996, section 196 applies with the substitution for subsection (6) of—

- “(6) If—
- (a) a person (“the former owner”) is treated by virtue of section 188, 190 or 191 as ceasing to own a fixture,
 - (b) another person incurs expenditure on the provision of the fixture, and
 - (c) the former owner brings a disposal value into account under Chapter 5,

there is to be disregarded for the purposes of this Part so much (if any) of that expenditure as exceeds that disposal value.

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- (7) In relation to expenditure incurred before 27th July 1989, subsection (6) has effect with the substitution for the words following “the fixture” in paragraph (b) of the words “there is to be disregarded for the purposes of this Part so much (if any) of that expenditure as exceeds the disposal value which the former owner is required to bring into account under Chapter 5”.

Assets provided or used only partly for qualifying activity

Effect of significant reduction in use for purposes of qualifying activity

- 42 Section 208 does not apply if the change of circumstances referred to in subsection (1)(b) of that section occurs before 21st March 2000.

Anti-avoidance

Relevant transactions: sale, hire-purchase (etc.) and assignment

- 43 Section 213(3) does not apply if the plant or machinery was brought into use before 27th July 1989.

Hire purchase etc. and finance leases

- 44 Sections 220 and 229 do not apply in relation to expenditure incurred before 2nd July 1997, or in the 12 months beginning with that date in pursuance of a contract entered into before that date.

Sale and finance leasebacks

- 45 Sections 221, 222 and 224 to 226 do not apply in relation to expenditure incurred before 2nd July 1998 if the relevant transaction—
- (a) is a purchase under a contract entered into before 2nd July 1997;
 - (b) is itself a contract entered into before that date; or
 - (c) is an assignment made before that date, or in pursuance of a contract entered into before that date.

Additional VAT liabilities and rebates

Expenditure which is first-year qualifying expenditure: general

- 46 (1) For the purposes of section 236(1)(a) (entitlement to first-year allowance in respect of additional VAT liability where original expenditure was first-year qualifying expenditure), first-year qualifying expenditure includes expenditure which is first-year qualifying expenditure under paragraph 47 or 48.
- (2) A first-year allowance under this paragraph is made for the chargeable period in which the additional VAT liability accrues.
- (3) The amount of such an allowance is a percentage of the additional VAT liability in respect of which the allowance is made, as shown in the Table—

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Table

Amount of first-year allowances (pre-commencement original expenditure)

Type of original first-year qualifying expenditure	Amount
Expenditure qualifying under paragraph 47 (expenditure incurred 1992-93).	40%
Expenditure qualifying under paragraph 48 (expenditure incurred 1997-98 by small or medium-sized enterprises) which is not long-life asset expenditure.	50%
Expenditure qualifying under paragraph 48 (expenditure incurred 1997-98 by small or medium-sized enterprises) which is long-life asset expenditure.	12%

Expenditure incurred 1992-93

- 47 (1) Expenditure is first-year qualifying expenditure under this paragraph if—
- it was incurred in the period beginning with 1st November 1992 and ending with 31st October 1993, and
 - it is not excluded by sub-paragraphs (3) to (8).
- (2) In determining whether expenditure is first-year qualifying expenditure under this paragraph, any effect of section 12 on the time at which it is to be treated as incurred is to be disregarded.
- (3) Expenditure is not first-year qualifying expenditure under this paragraph if it was incurred—
- in the chargeable period in which there was a permanent discontinuance of the qualifying activity, or
 - on the provision of a car other than a qualifying hire car (as defined by section 82).
- (4) Expenditure on the provision of plant or machinery for leasing is not first-year qualifying expenditure under this paragraph if it appears that the expenditure is of the kind described in section 109(2) or 110(2) (expenditure on plant or machinery which is used for overseas leasing etc.).
- (5) Expenditure on the provision of plant or machinery for leasing is not first-year qualifying expenditure under this paragraph if—
- the expenditure was incurred on or after 14th April 1993,
 - the person to whom the plant or machinery is to be or is leased, or a person who is connected with that person, used the plant or machinery for any purpose at any time before its provision for leasing, and
 - the expenditure does not fall within any of the categories of expenditure on plant or machinery for leasing given in sub-paragraph (6).
- (6) The categories referred to in sub-paragraph (5)(c) are as follows.

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Category 1. Expenditure on leasing qualifying by reference to Chapter 11 of Part 2 (overseas leasing)

It appears that the plant or machinery—

- (a) will be used for a qualifying purpose (as defined by sections 122 to 125) in the designated period (as defined by section 106), and
- (b) will not be used for any other purpose at any time in that period.

Category 2. Enterprise zones

The circumstances of the incurring of the expenditure are that—

- (a) the expenditure is incurred on the provision of plant or machinery which is to be an integral part of a building or structure, and
- (b) expenditure incurred at that time on the construction of the building or structure would be qualifying enterprise zone expenditure to which Chapter 5 of Part 3 (initial allowances for qualifying enterprise zone expenditure) would apply.

Category 3. Fixtures

The circumstances of the incurring of the expenditure are that—

- (a) expenditure is incurred on the provision of plant or machinery which is fixed to land or a building,
- (b) the person who incurs it is the lessor of the land or building, and
- (c) a transfer of the person's interest in the land or building would operate to transfer that person's interest in the plant or machinery.

Category 4. Cars hired out to the disabled etc.

The expenditure is incurred on the provision of a car which is within section 82(4) (cars hired out to persons receiving disability allowances etc.).

- (7) Sub-paragraph (4) does not prevent expenditure being first-year qualifying expenditure, if it appears that—
 - (a) the plant or machinery will be leased as described in section 116(1), and
 - (b) the circumstances are such that section 116(3) will require the whole or any part of the expenditure to be treated as not subject to section 107, 109 or 110.
- (8) Any first-year allowance under sub-paragraph (7) (when read with section 236) is to be made on the same basis and subject to the same apportionments (if any) as would be applicable in the case of a writing-down allowance under section 116(5).

Expenditure by small or medium-sized enterprises, 1997-98

- 48 (1) Expenditure is first-year qualifying expenditure under this paragraph if—
- (a) it was incurred in the period beginning with 2nd July 1997 and ending with 1st July 1998;
 - (b) it was incurred by a small or medium-sized enterprise; and
 - (c) it is not excluded by sub-paragraph (3).
- (2) In determining whether expenditure is first-year qualifying expenditure under this paragraph, any effect of section 12 on the time at which it is to be treated as incurred is to be disregarded.

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- (3) Expenditure is not first-year qualifying expenditure under this paragraph if it is within any of the general exclusions given in section 46(2).
- (4) In this paragraph, “small or medium-sized enterprise” is to be read in accordance with sections 47 to 49, read with paragraph 50.

Whether a company is a member of large or medium-sized group

- 49 (1) This paragraph applies in relation to any expenditure incurred before 12th May 1998, and for the purpose of determining—
- (a) whether expenditure incurred under a contract entered into before that date is first-year qualifying expenditure under section 44, or
 - (b) whether expenditure is first-year qualifying expenditure under paragraph 46 or 48.
- (2) Section 49 applies with the substitution in subsection (2) of “parent company” for “parent undertaking” and the omission of the words in brackets in subsection (5).
- (3) In section 49 as it so applies “parent company”—
- (a) except in the case of a company formed and registered in Northern Ireland, has the same meaning as in Part VII of the Companies Act 1985 (c. 6);
 - (b) in the case of such a company, has the same meaning as in Part VIII of the Companies (Northern Ireland) Order 1986 (S.I.1986/1032 (N.I.6)).

Expenditure which is not first-year qualifying expenditure

- 50 For the purposes of section 236(1)(a)—
- (a) section 40 (expenditure for Northern Ireland purposes by small or medium-sized enterprises) does not apply if the expenditure was incurred before 12th May 1998;
 - (b) section 44 (expenditure by small or medium-sized enterprises) does not apply if the expenditure was incurred before 2nd July 1998;
 - (c) section 45 (ICT expenditure by small enterprises) does not apply if the expenditure was incurred before 1st April 2000.

Anti-avoidance

- 51 Sections 243(7) and 244 do not apply in relation to expenditure incurred before 2nd July 1998 if the relevant transaction—
- (a) is a purchase under a contract entered into before 2nd July 1997;
 - (b) is itself a contract entered into before that date; or
 - (c) is an assignment made before that date, or in pursuance of a contract entered into before that date.

Supplementary provisions

Successions by beneficiaries

- 52 Section 266(7) does not apply if the succession occurred before 27th July 1989.

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- 53 Subsections (6) and (7) of section 268 do not apply if the election under that section was made before 6th April 1990.

General

Vehicles provided by employees in 1990-91

- 54 (1) This paragraph applies if—
- (a) at the beginning of the tax year 1990-91 machinery consisting of a mechanically propelled road vehicle was provided by a person for use in the performance of the duties of an office or employment held by him, and
 - (b) the machinery was also provided by him at the end of the tax year 1989-90 for use in the performance of the duties of that office or employment but without that provision being necessary.
- (2) Part 2 of this Act has effect as if the person had incurred capital expenditure on the provision of the machinery for the purposes of the office or employment in the tax year 1990-91—
- (a) the amount of that expenditure being taken as the price which the machinery would have fetched if sold in the open market on 6th April 1990, and
 - (b) the person being treated as owning the machinery as a result of his having incurred that expenditure.

Certain expenditure incurred before 6th April 1976

- 55 Part 2 of this Act does not apply to capital expenditure—
- (a) which was not eligible expenditure within the meaning of section 39 of FA 1976 (which brought expenditure previously not within Chapter I of Part III of FA 1971 within that Chapter but with certain exceptions), and
 - (b) which was incurred in a chargeable period ending before 6th April 1976.

Status:

Point in time view as at 18/04/2005.

Changes to legislation:

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