



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 4

FIRST-YEAR QUALIFYING EXPENDITURE

Modifications etc. (not altering text)

C1 Pt. 2 modified (10.6.2021) by [Finance Act 2021 \(c. 26\), s. 9\(1\)\(a\)](#)

General

39 First-year allowances available for certain types of qualifying expenditure only

A first-year allowance is not available unless the qualifying expenditure is first-year qualifying expenditure under [^{F1}any of the following provisions]—

F2	F2
...	...
F3	F3
...	...
F2	F2
...	...
F4	F4
...	...

Status: Point in time view as at 22/02/2024.

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

[^{F5} section 45D	expenditure on cars with low CO ₂ emissions,]
[^{F6} section 45DA	expenditure on zero-emission goods vehicles,]
[^{F7} section 45E	expenditure on plant or machinery for gas refuelling station]
	^{F8}
	...
[^{F9} section 45EA	expenditure on plant or machinery for electric vehicle charging point]
[^{F10} section 45F	expenditure on plant and machinery for use wholly in a ring fence trade.]
^{F11}	^{F11}
...	...
[^{F12} section 45K	expenditure on plant and machinery for use in designated assisted areas.]
[^{F13} section 45O	expenditure on plant and machinery for use in [^{F14} special tax sites].]
[^{F15} section 45S	expenditure on plant or machinery in other cases]

Textual Amendments

- F1** Words in s. 39 inserted (with effect in accordance with s. 167 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 30 para. 2\(a\)](#)
- F2** S. 39 entries omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 76\(5\)\(a\)](#) (with s. 76(7)(8))
- F3** S. 39 entry omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 75\(3\)\(a\)](#)
- F4** Words in s. 39 omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [s. 33\(2\)\(b\)\(iii\)\(a\)](#)
- F5** Words in s. 39 inserted (with effect as mentioned in s. 59 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 59, [Sch. 19 para. 2](#)
- F6** Words in s. 39 inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 7 para. 2](#)
- F7** Words in s. 39 inserted (with effect as mentioned in s. 61 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 61, [Sch. 20 para. 2](#)
- F8** Word in s. 39 repealed (with effect in accordance with s. 167 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 30 para. 2\(b\)](#), [Sch. 43 Pt. 3\(9\)](#)
- F9** Words in s. 39 inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 38\(2\)](#)
- F10** Words in s. 39 inserted (with effect as mentioned in s. 63 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 63, [Sch. 21 para. 2](#)
- F11** Words in s. 39 omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [s. 33\(2\)\(b\)\(iii\)\(b\)](#)
- F12** Words in s. 39 inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 2](#)
- F13** Words in s. 39 inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 22 para. 2](#)
- F14** Words in s. 39 substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 23 para. 11\(a\)](#)

Status: Point in time view as at 22/02/2024.

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F15 Words in s. 39 inserted (22.2.2024) by Finance (No. 2) Act 2023 (c. 30), s. 7(2) (as amended by Finance Act 2024 (c. 3), s. 1(2)(a))

Types of expenditure which may qualify for first-year allowances

F16 40 Expenditure incurred for Northern Ireland purposes by small or medium-sized enterprises

.....

Textual Amendments

F16 Ss. 40-43 omitted (with application in accordance with s. 76(7) of the amending Act) by virtue of Finance Act 2008 (c. 9), s. 76(2) (with s. 76(8))

F16 41 Miscellaneous exclusions from section 40 (expenditure for Northern Ireland purposes etc.)

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Textual Amendments

F16 Ss. 40-43 omitted (with application in accordance with s. 76(7) of the amending Act) by virtue of Finance Act 2008 (c. 9), s. 76(2) (with s. 76(8))

F16 42 Exclusion of plant or machinery partly for use outside Northern Ireland

.....

Textual Amendments

F16 Ss. 40-43 omitted (with application in accordance with s. 76(7) of the amending Act) by virtue of Finance Act 2008 (c. 9), s. 76(2) (with s. 76(8))

F16 43 Effect of plant or machinery subsequently being primarily for use outside Northern Ireland

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Textual Amendments

F16 Ss. 40-43 omitted (with application in accordance with s. 76(7) of the amending Act) by virtue of Finance Act 2008 (c. 9), s. 76(2) (with s. 76(8))

F17 44 Expenditure incurred by small or medium-sized enterprises

.....

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Textual Amendments

F17 S. 44 omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 75\(2\)](#)

^{F18} 45 ICT expenditure incurred by small enterprises

.....

Textual Amendments

F18 S. 45 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\), s. 76\(3\)](#) (with s. 76(7)(8))

^{F19} 45A Expenditure on energy-saving plant or machinery

.....

Textual Amendments

F19 Ss. 45A-45C repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 33\(1\)\(a\)](#)

^{F19} 45AA Section 45A exclusion: feed-in tariffs and renewable heat incentives

.....

Textual Amendments

F19 Ss. 45A-45C repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 33\(1\)\(a\)](#)

^{F19} 45B Certification of energy-saving plant and machinery

.....

Textual Amendments

F19 Ss. 45A-45C repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 33\(1\)\(a\)](#)

^{F19} 45C Energy-saving components of plant or machinery

.....

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Textual Amendments

F19 Ss. 45A-45C repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 33\(1\)\(a\)](#)

45D Expenditure on cars with low carbon dioxide emissions

- (1) Expenditure is first-year qualifying expenditure if—
- (a) it is incurred in the period beginning with 17th April 2002 and ending with 31st March ^{F20}2025],
 - (b) it is expenditure on a car which is first registered on or after 17th April 2002 and which is unused and not second-hand,
 - ^{F21}(c) the car—
 - (i) is electrically-propelled, or
 - (ii) has low CO₂ emissions, and]
 - (d) the expenditure is not excluded by section 46 (general exclusions).

^{F22}(1A) The Treasury may by order amend subsection (1)(a) so as to extend the period specified.]

- (2) For the purposes of this section ^{F23}a car has low CO₂ emissions if it] satisfies the conditions in subsections (3) and (4).
- (3) The first condition is that, when the car is first registered, it is so registered on the basis of ^{F24}a qualifying emissions certificate.]
- (4) The second condition is that the applicable CO₂ emissions figure ^{F25}in relation to] the car does not exceed ^{F26} grams per kilometre driven.

^{F27}(5)

^{F27}(6)

(7) The Treasury may by order amend the amount from time to time specified in subsection (4).

(8) In this section any reference to a car ^{F28}is to a car within the meaning of section 268A, except that it]—

- (a) includes a reference to a mechanically propelled road vehicle of a type commonly used as a hackney carriage, ^{F29}...

^{F29}(b)

^{F30}(9)

^{F30}(10)

^{F31}(11) In this section—

“applicable CO₂ emissions figure” and “qualifying emissions certificate” have the meanings given in section 268C;

“electrically-propelled” has the meaning given in section 268B.]

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Textual Amendments

- F20** Word in s. 45D(1)(a) substituted (1.4.2021) by [The Capital Allowances Act 2001 \(Car Emissions\) \(Extension of First-year Allowances\) \(Amendment\) Order 2021 \(S.I. 2021/120\)](#), arts. 1(1), **3(a)**
- F21** S. 45D(1)(c) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(2)** (with Sch. 11 paras. 30-32)
- F22** S. 45D(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **s. 64(2)**
- F23** Words in s. 45D(2) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(3)** (with Sch. 11 paras. 30-32)
- F24** Words in s. 45D(3) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(4)** (with Sch. 11 paras. 30-32)
- F25** Words in s. 45D(4) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(5)** (with Sch. 11 paras. 30-32)
- F26** Word in s. 45D(4) substituted (with effect in accordance with art. 1(2)(a) of the amending S.I.) by [The Capital Allowances Act 2001 \(Car Emissions\) \(Extension of First-year Allowances\) \(Amendment\) Order 2021 \(S.I. 2021/120\)](#), arts. 1(1), **3(b)**
- F27** S. 45D(5)(6) omitted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(6)** (with Sch. 11 paras. 30-32)
- F28** Words in s. 45D(8) inserted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(7)(a)** (with Sch. 11 paras. 30-32)
- F29** S. 45D(8)(b) and preceding word omitted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(7)(b)** (with Sch. 11 paras. 30-32)
- F30** S. 45D(9)(10) omitted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(8)** (with Sch. 11 paras. 30-32)
- F31** S. 45D(11) inserted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 14(9)** (with Sch. 11 paras. 30-32)

[^{F32}45DAE] Expenditure on zero-emission goods vehicles

- (1) Expenditure is first-year qualifying expenditure if—
- (a) it is incurred in the period of [^{F33}15 years] beginning with the relevant date,
 - (b) it is incurred on the provision of a zero-emission goods vehicle,
 - (c) the vehicle is unused and not second-hand,
 - (d) the vehicle is registered, and
 - (e) the expenditure is not excluded by section 46 (general exclusions).

[The Treasury may by order amend subsection (1)(a) so as to extend the period ^{F34}(1A) specified.]

- (2) For the purposes of subsection (1)(d) it does not matter whether the vehicle is first registered before or after the expenditure is incurred.

- (3) In this section—

“goods vehicle” means a mechanically propelled road vehicle which is of a design primarily suited for the conveyance of goods or burden of any description;

“the relevant date” means—

- (a) in the case of expenditure incurred by a person within the charge to corporation tax, 1 April 2010, and

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- (b) in the case of expenditure incurred by a person within the charge to income tax, 6 April 2010;
“zero-emission goods vehicle” means a goods vehicle which cannot in any circumstances emit CO₂ by being driven.
- (4) The Treasury may by order amend this Chapter so as to provide for specified descriptions of vehicles to be treated, or not to be treated, as goods vehicles for the purposes of this section.
- (5) This section is subject to section 45DB.

Textual Amendments

- F32** Ss. 45DA, 45DB inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 7 para. 3](#)
- F33** Words in s. 45DA(1)(a) substituted (1.4.2021) by [The Capital Allowances Act 2001 \(Car Emissions\) \(Extension of First-year Allowances\) \(Amendment\) Order 2021 \(S.I. 2021/120\)](#), arts. 1(1), [4](#)
- F34** S. 45DA(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 64\(3\)](#)

45DB Exclusions from allowances under section 45DA

- (1) Expenditure incurred by a person is not first-year qualifying expenditure under section 45DA if it is within subsection (2), (4) or (6).
- (2) Expenditure is within this subsection if, at the time a claim is made under section 3 for a section 45DA allowance in respect of the expenditure, the person who incurred the expenditure is, or forms part of, an undertaking within subsection (3).
- (3) An undertaking is within this subsection if one or both of the following conditions are met—
- (a) it is reasonable to assume that the undertaking would be regarded as ^{F35}an undertaking in difficulty for the purposes of the General Block Exemption Regulation];
- (b) the undertaking is subject to an outstanding recovery order made by virtue of Article 108(2) of the Treaty on the Functioning of the European Union (Commission Decision declaring aid illegal and incompatible with the common market).
- (4) Expenditure is within this subsection if it is incurred for the purposes of a qualifying activity—
- (a) in the fishery or aquaculture sector, as covered by ^{F36}Regulation (EU) No 1379/2013 of the European Parliament and of the Council], or
- (b) relating to the management of waste of undertakings.
- (5) In subsection (4)(b) the reference to waste of undertakings does not include waste of the person who incurred the expenditure or of any other person forming part of the same undertaking as that person.
- (6) Expenditure is within this subsection to the extent that it is taken into account for the purposes of a relevant grant, or relevant payment, made towards that expenditure.
- (7) A grant or payment is relevant if it is—
- (a) a ^{F37}... State aid, other than an allowance under this Part, or

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- (b) a grant or subsidy, other than a ^{F37}... State aid, which the Treasury by order declares to be relevant for the purposes of the withholding of a section 45DA allowance.
- (8) If a relevant grant or relevant payment towards the expenditure is made after the making of a section 45DA allowance, the allowance is to be withdrawn ^{F38}....
- (9) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (8).
- (10) Any such assessment or adjustment is not out of time if it is made within 3 years of the end of the chargeable period in which the grant or payment was made.
- (11) In this section—

“General Block Exemption Regulation” means Commission Regulation [^{F39}(EU) No 651/2014] (General block exemption Regulation) [^{F40}as it had effect in the United Kingdom immediately before IP completion day];

“management” and “waste” have the meaning given by Article 1 of Directive 2006/12/EC of the European Parliament and of the Council;

^{F41}

“section 45DA allowance” means a first year allowance in respect of expenditure that is first-year qualifying expenditure under section 45DA;

“undertaking” means—

- (a) an autonomous enterprise, or
- (b) an enterprise (not within paragraph (a)) and its partner enterprises (if any) and its linked enterprises (if any),

and for this purpose “enterprise”, “autonomous enterprise”, “partner enterprises” and “linked enterprises” have the meaning given by Annex 1 to the General Block Exemption Regulation.

[Nothing in this section limits references to “State aid” to State aid which is required ^{F42}(11A) to be notified to and approved by the European Commission.]

- (12) The Treasury may by order make such provision amending this section as appears to them appropriate for the purpose of giving effect to any future amendments of or instrument replacing—
- (a) the General Block Exemption Regulation,
- (b) the Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C 244/02),
- [^{F43}(c) Regulation (EU) No 1379/2013 of the European Parliament and of the Council,]
- (d) Directive 2006/12/EC of the European Parliament and of the Council, or
- (e) the Treaty on the Functioning of the European Union.]

Textual Amendments

F32 Ss. 45DA, 45DB inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 7 para. 3](#)

F35 Words in s. 45DB(3)(a) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 2\(2\)](#)

F36 Words in s. 45DB(4)(a) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 2\(3\)](#)

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- F37** Word in s. 45DB(7) omitted (with effect in accordance with s. 45(8)(9) of the amending Act) by virtue of [Finance Act 2015 \(c. 11\), s. 45\(4\)](#)
- F38** Words in s. 45DB(8) omitted (with effect in accordance with s. 45(8)(9) of the amending Act) by virtue of [Finance Act 2015 \(c. 11\), s. 45\(5\)](#)
- F39** Words in s. 45DB(11) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\), Sch. 13 para. 2\(4\)](#)
- F40** Words in s. 45DB(11) inserted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\), regs. 1, 3\(2\)](#)
- F41** Words in s. 45DB(11) omitted (with effect in accordance with s. 45(8)(9) of the amending Act) by virtue of [Finance Act 2015 \(c. 11\), s. 45\(6\)](#)
- F42** S. 45DB(11A) inserted (with effect in accordance with s. 45(8)(9) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 45\(7\)](#)
- F43** S. 45DB(12)(c) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\), Sch. 13 para. 2\(5\)](#)

[^{F44}45E Expenditure on plant or machinery for gas refuelling station

- (1) Expenditure is first-year qualifying expenditure if—
- (a) it is incurred in the period beginning with 17th April 2002 and ending with 31st March [^{F45}2025],
 - (b) it is expenditure on plant or machinery for a gas refuelling station where the plant or machinery is unused and not second-hand, and
 - (c) it is not excluded by section 46 (general exclusions).

[The Treasury may by order amend subsection (1)(a) so as to extend the period ^{F46}(1A) specified.]

- (2) For the purposes of this section expenditure on plant or machinery for a gas refuelling station is expenditure on plant or machinery installed at a gas refuelling station for use solely for or in connection with refuelling vehicles with natural gas^[^{F47}, biogas] or hydrogen fuel.
- (3) For the purposes of subsection (2) the plant or machinery which is for use for or in connection with refuelling vehicles with natural gas^[^{F47}, biogas] or hydrogen fuel includes—
- (a) any storage tank for natural gas [^{F47}, biogas] or hydrogen fuel,
 - (b) any compressor, pump, control or meter used for or in connection with refuelling vehicles with natural gas^[^{F47}, biogas] or hydrogen fuel, and
 - (c) any equipment for dispensing natural gas^[^{F47}, biogas] or hydrogen fuel to the fuel tank of a vehicle.

- (4) For the purposes of this section—

[^{F48}“biogas” means gas produced by the anaerobic conversion of organic matter and used for propelling vehicles;]

“gas refuelling station” means any premises, or that part of any premises, where vehicles are refuelled with natural gas^[^{F47}, biogas] or hydrogen fuel;

“hydrogen fuel” means a fuel consisting of gaseous or cryogenic liquid hydrogen which is used for propelling vehicles;

“vehicle” means a mechanically propelled road vehicle.]

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

Textual Amendments

- F44** S. 45E inserted (with effect as mentioned in s. 61 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 61, [Sch. 20 para. 3](#)
- F45** Word in s. 45E(1)(a) substituted (1.4.2021) by [The Capital Allowances Act 2001 \(Car Emissions\) \(Extension of First-year Allowances\) \(Amendment\) Order 2021 \(S.I. 2021/120\)](#), arts. 1(1), 5
- F46** S. 45E(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), s. 64(4)
- F47** Word in s. 45E inserted (with effect in accordance with s. 78(5) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), s. 78(3)
- F48** Words in s. 45E(4) inserted (with effect in accordance with s. 78(5) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), s. 78(4)

[^{F49}45EA] Expenditure on plant or machinery for electric vehicle charging point

- (1) Expenditure is first-year qualifying expenditure if—
 - (a) it is incurred in the relevant period,
 - (b) it is expenditure on plant or machinery for an electric vehicle charging point where the plant or machinery is unused and not second-hand, and
 - (c) it is not excluded by section 46 (general exclusions).
- (2) For the purposes of this section expenditure on plant or machinery for an electric vehicle charging point is expenditure on plant or machinery installed solely for the purpose of charging electric vehicles.
- (3) The “relevant period” is the period beginning with 23 November 2016 and ending with—
 - (a) in the case of expenditure incurred by a person within the charge to corporation tax, 31 March [^{F50}2025], and
 - (b) in the case of expenditure incurred by a person within the charge to income tax, 5 April [^{F51}2025].
- (4) The Treasury may by regulations amend subsection (3) so as to extend the relevant period.
- (5) In this section—

“electric vehicle” means a road vehicle that can be propelled by electrical power (whether or not it can also be propelled by another kind of power);

“electric vehicle charging point” means a facility for charging an electric vehicle.]

Textual Amendments

- F49** S. 45EA inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), s. 38(3)
- F50** Word in s. 45EA(3)(a) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), s. 9
- F51** Word in s. 45EA(3)(b) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), s. 9

[^{F52}45F] Expenditure on plant and machinery for use wholly in a ring fence trade

- (1) Expenditure is first-year qualifying expenditure if—
 - (a) it is incurred on or after 17th April 2002,

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- (b) it is incurred by a company,
 - (c) it is incurred on the provision of plant or machinery for use wholly for the purposes of a ring fence trade, and
 - (d) it is not excluded by section 46 (general exclusions).
- (2) This section is subject to section 45G (plant or machinery used for less than five years in a ring fence trade).
- (3) In this section “ ring fence trade ” means a ring fence trade in respect of which tax is chargeable under [^{F53}section 330(1) of CTA 2010] (supplementary charge in respect of ring fence trades).]

Textual Amendments

- F52** S. 45F inserted (with effect as mentioned in s. 63 of the amending Act) by Finance Act 2002 (c. 23), s. 63, Sch. 21 para. 3
- F53** Words in s. 45F(3) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 1 para. 325 (with Sch. 2)

[^{F54}45G Plant or machinery used for less than five years in a ring fence trade

- (1) Expenditure incurred by a company on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45F if the plant or machinery—
- (a) is at no time in the relevant period used in a ring fence trade carried on by the company or a company connected with it, or
 - (b) is at any time in the relevant period used for a purpose other than that of a ring fence trade carried on by the company or a company connected with it.
- (2) For the purposes of this section “ the relevant period ” means whichever of the following periods, beginning with the incurring of the expenditure, first ends, namely—
- (a) the period ending with the fifth anniversary of the incurring of the expenditure, or
 - (b) the period ending with the day preceding the first occasion on which the plant or machinery, after becoming owned by the company which incurred the expenditure, is not owned by a company which is either that company or a company connected with it.
- (3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).
- (4) 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, he must give notice to [^{F55}an officer of Revenue and Customs] specifying how the return needs to be amended.
- (5) 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.
- (6) In this section “ ring fence trade ” has the same meaning as in section 45F.]

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Textual Amendments

- F54** S. 45G inserted (with effect as mentioned in s. 63 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 63, [Sch. 21 para. 4](#)
- F55** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)

^{F56} **45H Expenditure on environmentally beneficial plant or machinery**

.....

Textual Amendments

- F56** Ss. 45H-45J repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), s. [33\(1\)\(b\)](#)

^{F56} **45I Certification of environmentally beneficial plant and machinery**

.....

Textual Amendments

- F56** Ss. 45H-45J repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), s. [33\(1\)\(b\)](#)

^{F56} **45J Environmentally beneficial components of plant or machinery**

.....

Textual Amendments

- F56** Ss. 45H-45J repealed (with effect in accordance with s. 33(5) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), s. [33\(1\)\(b\)](#)

^{F57} **45K Expenditure on plant and machinery for use in designated assisted areas**

- (1) Expenditure is first-year qualifying expenditure if—
- (a) it is incurred by a company on the provision of plant or machinery for use primarily in an area which at the time the expenditure is incurred is a designated assisted area,
 - (b) it is incurred in the period ^{F58}... beginning with [^{F59}the date on which the area is (or is treated as) designated under subsection (2)(a)]^{F60} and ending with whichever is the later of the day immediately before the eighth anniversary of that date or 31st March 2021],
 - (c) Conditions A to E are met.

[The Treasury may by order amend subsection (1)(b) so as to extend the period ^{F61}(1A) specified.]

Status: Point in time view as at 22/02/2024.

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

- (2) “Designated assisted area” means an area which—
- (a) is designated by an order made by the Treasury, and
 - (b) falls wholly within an assisted area.
- (3) An area may be designated by an order under subsection (2)(a) only if at the time the order is made—
- (a) the area falls wholly within an enterprise zone, and
 - (b) a memorandum of understanding, in respect of the area, relating to the availability of allowances in respect of expenditure to which this section applies has been entered into by the Treasury and the responsible authority for the area.
- (4) An order made under subsection (2)(a) may provide that an area designated by the order is to be treated as having been so designated at times falling before the order is made.
- (5) But where an area has previously been designated by an order under subsection (2)(a), section 14 of the Interpretation Act 1978 does not apply, by virtue of subsection (4), so as to imply a power to make an order (“the new order”) treating that area (or any part of it) as if it were not so designated at times falling before the new order is made.
- (6) Condition A is that the company is within the charge to corporation tax.
- (7) Condition B is that the expenditure is incurred for the purposes of a qualifying activity within section 15(1)(a) or (f).
- (8) Condition C is that the expenditure is incurred for the purposes of—
- (a) a business of a kind not previously carried on by the company,
 - (b) expanding a business carried on by the company, or
 - (c) starting up an activity which relates to a fundamental change in a product or production process of, or service provided by, a business carried on by the company.
- [Condition C is met by virtue of subsection (8)(c) only if the amount of the expenditure^{F62}(8A) exceeds the amount by which the relevant plant or machinery is depreciated in the period of 3 years ending immediately before the beginning of the chargeable period in which the expenditure is incurred.
- (8B) “Relevant plant or machinery” means the plant or machinery being used at the end of the period of 3 years mentioned in subsection (8A) for the purposes of the product, process or service mentioned in subsection (8)(c).]
- (9) Condition D is that the plant or machinery is unused and not second-hand.
- (10) Condition E is that the expenditure is not replacement expenditure.
- (11) “Replacement expenditure” means expenditure incurred on the provision of plant or machinery (“new plant or machinery”) intended to perform the same or a similar function, for the purposes of the qualifying activity of the company, as other plant or machinery (“replaced plant or machinery”)—
- (a) on which the company has previously incurred qualifying expenditure, and
 - (b) which has been superseded by the new plant or machinery.
- (12) But if and to the extent that—

Status: Point in time view as at 22/02/2024.

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- (a) the expenditure is incurred on the provision of new plant or machinery that is capable of and intended to perform a significant additional function, when compared to the replaced plant or machinery, and
- (b) the additional function enhances the capacity or productivity of the qualifying activity in question,
- so much of the expenditure as is attributable to the additional function is not to be regarded as replacement expenditure.
- (13) The part of the expenditure attributable to the additional function is to be determined on a just and reasonable basis.
- (14) In this section—
- “assisted area” means—
- (a) an area specified as a development area under section 1 of the Industrial Development Act 1982, or
- (b) Northern Ireland;
- “enterprise zone” means an area recognised by the Treasury as an area in respect of which there is a special focus on economic development and identified on a map published by the Treasury for the purposes of this section;
- “the responsible authority”, for an area, means—
- (a) if the area is in England, a local authority for all or part of the area or two or more such local authorities,
- (b) if the area is in Scotland, the Scottish Ministers,
- (c) if the area is in Wales, the Welsh Ministers, and
- (d) if the area is in Northern Ireland, the Department of Enterprise, Trade and Investment in Northern Ireland.
- (15) The Treasury may by order amend the definition of “assisted area” in subsection (14) in consequence of any changes made to the areas in the United Kingdom granted assisted area status by virtue of Article 107(3) of the Treaty on the Functioning of the European Union.
- (16) This section is subject to—
- section 45L (plant or machinery partly for use outside designated assisted areas),
- section 45M (exclusions from section 45K allowances),
- section 45N (effect of plant or machinery subsequently being primarily used in an area other than a designated assisted area), and
- section 46 (general exclusions).

Textual Amendments

- F57** Ss. 45K-45N inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 3](#)
- F58** Words in s. 45K(1)(b) omitted (1.4.2020) by virtue of [The Capital Allowances Act 2001 \(Amendment of Section 45K\) Order 2020 \(S.I. 2020/260\)](#), arts. 1, [2\(2\)\(a\)](#)
- F59** Words in s. 45K(1)(b) substituted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 69](#)
- F60** Words in s. 45K(1)(b) inserted (1.4.2020) by [The Capital Allowances Act 2001 \(Amendment of Section 45K\) Order 2020 \(S.I. 2020/260\)](#), arts. 1, [2\(2\)\(b\)](#)
- F61** S. 45K(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 64\(5\)\(b\)](#)
- F62** S. 45K(8A)(8B) inserted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 3](#)

Status: Point in time view as at 22/02/2024.

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

45L Exclusion of plant or machinery partly for use outside designated assisted areas

- (1) Expenditure on plant or machinery is not first-year qualifying expenditure under section 45K if—
 - (a) at the time when it is incurred, the company incurring it intends the plant or machinery to be used partly in a non-designated area, and
 - (b) the main purpose, or one of the main purposes, for which any person is a 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 a non-designated area.
- (2) For the purposes of subsection (1)(b), the part of the expenditure that is attributable to that intended use in a non-designated area is to be determined on a just and reasonable basis.
- (3) In this section—
 - “non-designated area” means an area which is not a designated assisted area within the meaning of section 45K;
 - “the relevant arrangements” means—
 - (a) the transaction under which the expenditure is incurred, and
 - (b) any scheme or arrangements of which that transaction forms part.

Textual Amendments

F57 Ss. 45K-45N inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 3](#)

45M Exclusions from allowances under section 45K

- (1) Expenditure incurred by a person is not first-year qualifying expenditure under section 45K if it is within subsection (2), (4), [^{F63}(7) or (7A)].
- (2) Expenditure is within this subsection if, at the time a claim is made under section 3 for a section 45K allowance in respect of the expenditure, the person who incurred the expenditure is, or forms part of, an undertaking within subsection (3).
- (3) An undertaking is within this subsection if one or both of the following conditions are met—
 - (a) it is reasonable to assume that the undertaking would be regarded as [^{F64}an undertaking in difficulty for the purposes of the General Block Exemption Regulation];
 - (b) the undertaking is subject to an outstanding recovery order made by virtue of Article 108(2) of the Treaty on the Functioning of the European Union (Commission Decision declaring aid illegal and incompatible with the common market).
- (4) Expenditure is within this subsection if it is incurred for the purposes of a qualifying activity—
 - (a) in the fishery or aquaculture sector, as covered by [^{F65}Regulation (EU) No 1379/2013 of the European Parliament and of the Council],
 - (b) in the coal sector, steel sector, shipbuilding sector or synthetic fibres sector,
[in the transport sector or related infrastructure,

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^{F66}(ba)

- (bb) relating to energy generation, distribution or infrastructure,
- (bc) relating to the development of broadband networks,]
- (c) relating to the management of waste of undertakings, or
- (d) relating to—
 - (i) the primary production of agricultural products,
 - (ii) on-farm activities necessary for preparing an animal or plant product for the first sale, or
 - (iii) the first sale of agricultural products by a primary producer to wholesalers, retailers or processors, in circumstances where that sale does not take place on separate premises reserved for that purpose.

[Expressions used in subsection (4)(b), (ba), (bb) or (bc) and in the General Block Exemption Regulation have the same meaning as in that Regulation.]

- (5) In subsection (4)(c) the reference to waste of undertakings does not include waste of the person who incurred the expenditure or of any other person forming part of the same undertaking as that person.

^{F68}(6)

- (7) Expenditure is within this subsection if a relevant grant or relevant payment is made towards—
- (a) that expenditure, or
 - (b) any other expenditure which is incurred by any person in respect of the same designated assisted area, and on the same single investment project, as that expenditure.

[Expenditure is within this subsection if—

- ^{F69}(7A) (a) the area by reference to which the condition in section 45K(1)(a) is met is not an area which falls within Article 107(3)(a) of the Treaty on the Functioning of the European Union,
- (b) the condition in section 45K(8)(a) is not met in relation to the expenditure, and
 - (c) at the time the expenditure is incurred the company is not an SME for the purposes of the General Block Exemption Regulation.]

- (8) A section 45K allowance made in respect of first-year qualifying expenditure is to be withdrawn if—

- (a) after it is made, a relevant grant or relevant payment is made towards that expenditure, or
- (b) within the period of 3 years beginning when that expenditure was incurred, a relevant grant or relevant payment is made towards any other expenditure which is incurred by any person in respect of the same designated assisted area, and on the same single investment project, as that expenditure.

- (9) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (8).

- (10) 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.

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- (11) 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.
- (12) In this section—
- “agricultural product”, [^{F70}has] the same meaning as in the General Block Exemption Regulation;
 - “General Block Exemption Regulation” means Commission Regulation [^{F71}(EU) No 651/2014] (General block exemption Regulation)[^{F72}as it had effect in the United Kingdom immediately before IP completion day];
 - “management” and “waste” have the meaning given by Article 1 of Directive 2006/12/EC of the European Parliament and of the Council;
 - “relevant grant or relevant payment” means a grant or payment which is—
 - (a) a State aid, other than an allowance under this Part, or
 - (b) a grant or subsidy, other than a State aid, which the Treasury by order declares to be relevant for the purposes of the withholding of a section 45K allowance;
 - “section 45K allowance” means a first-year allowance in respect of expenditure that is first-year qualifying expenditure under section 45K;
 - “single investment project” has the same meaning as in the General Block Exemption Regulation;
 - “undertaking” means—
 - (a) an autonomous enterprise, or
 - (b) an enterprise (not within paragraph (a)) and its partner enterprises (if any) and its linked enterprises (if any),
- and for this purpose “enterprise”, “autonomous enterprise”, “partner enterprises” and “linked enterprises” have the meaning given by Annex 1 to the General Block Exemption Regulation.
- (13) Nothing in this section limits references to “State aid” to State aid which is required to be notified to and approved by the European Commission.
- (14) For the purposes of this section references to expenditure incurred in respect of a designated assisted area includes expenditure incurred on the provision of things for use primarily in that area or on services to be provided primarily in that area.
- (15) The Treasury may by order make such provision amending this section as appears to them appropriate for the purpose of giving effect to any future amendments of or instruments replacing—
 - (a) the General Block Exemption Regulation,
 - (b) the Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C 244/02),
 - [^{F73}(c) Regulation (EU) No 1379/2013 of the European Parliament and of the Council,]
 - (d) Directive 2006/12/EC of the European Parliament and of the Council, or
 - (e) the Treaty on the Functioning of the European Union.

Status: Point in time view as at 22/02/2024.

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

Textual Amendments

- F57** Ss. 45K-45N inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 3](#)
- F63** Words in s. 45M(1) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(2\)](#)
- F64** Words in s. 45M(3)(a) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(3\)](#)
- F65** Words in s. 45M(4)(a) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(4\)\(a\)](#)
- F66** Ss. 45M(4)(ba)-(bc) inserted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(4\)\(b\)](#)
- F67** S. 45M(4A) inserted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(5\)](#)
- F68** S. 45M(6) omitted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(6\)](#)
- F69** S. 45M(7A) inserted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(7\)](#)
- F70** Word in s. 45M(12) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(8\)\(a\)](#)
- F71** Words in s. 45M(12) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(8\)\(b\)](#)
- F72** Words in s. 45M(12) inserted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\)](#), regs. 1, [3\(3\)](#)
- F73** S. 45M(15)(c) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 4\(9\)](#)

45N Effect of plant or machinery subsequently being primarily for use outside designated assisted areas

- (1) Expenditure on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45K if, at any relevant time—
- (a) the primary use to which the plant and machinery is put is other than in an area which was a ^{F74}[relevant area] at the time the expenditure was incurred, or
 - (b) the plant or machinery is held for use otherwise than primarily in an area which was ^{F75}[a relevant] area at that time.
- (2) “Relevant time” means a time which—
- (a) falls within the relevant period, and
 - (b) is a time when the plant or machinery is owned by—
 - (i) the person who incurred the expenditure, or
 - (ii) a person who is, or at any time in that period has been, connected with that person.
- (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.

^{F76}(3A) [“Relevant area” means—

Status: Point in time view as at 22/02/2024.

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

- (a) in relation to expenditure which would be within subsection (7A) of section 45M if paragraph (a) of that subsection were omitted, a designated assisted area within the meaning of section 45K which falls within Article 107(3)(a) of the Treaty on the Functioning of the European Union, and
 - (b) in relation to any other expenditure, a designated assisted area within the meaning of section 45K.]
- (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.]

Textual Amendments

- F57** Ss. 45K-45N inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 3](#)
- F74** Words in s. 45N(1) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 5\(2\)\(a\)](#)
- F75** Words in s. 45N(1) substituted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 5\(2\)\(b\)](#)
- F76** S. 45N(3A) inserted (with effect in accordance with Sch. 13 para. 8 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 13 para. 5\(3\)](#)

[^{F77}450 Expenditure on plant and machinery for use in [^{F78}special 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 [^{F78}special 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 [^{F79}the applicable sunset date in relation to the special tax site concerned (as to which see [section 332\(4\)](#) and (5) of F(No.2)A 2023)].
- (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 [^{F78}special tax sites]),

Status: Point in time view as at 22/02/2024.

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

[^{F80}section 45R (effect of failing to comply with ongoing requirements) and regulations under that section, and] section 46 (general exclusions).

Textual Amendments

- F77** Ss. 45O-45R inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 22 para. 3](#)
- F78** Words in [ss. 45O-45R](#) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 23 para. 11\(b\)](#)
- F79** Words in [s. 45O\(5\)](#) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [s. 332\(2\)\(4\)](#)
- F80** Words in [s. 45O\(7\)](#) substituted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 16 para. 2](#)

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 [^{F78}special 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.

Textual Amendments

- F77** Ss. 45O-45R inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 22 para. 3](#)
- F78** Words in [ss. 45O-45R](#) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 23 para. 11\(b\)](#)

45Q Exclusion of plant or machinery partly for use outside [^{F78}special tax sites]

- (1) This section applies if—

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- (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 ^{F78}special 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 ^{F78}special tax site] (^{F81}the “non-qualifying part” of] the expenditure).
- (2) The ^{F82}non-qualifying part] of the expenditure is not first-year qualifying expenditure under section 45O.
- (3) For the purposes of this section, the ^{F83}non-qualifying 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.

Textual Amendments

- F77** Ss. 45O-45R inserted (10.6.2021) by Finance Act 2021 (c. 26), **Sch. 22 para. 3**
- F78** Words in ss. 45O-45R substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 23 para. 11(b)**
- F81** Words in s. 45Q(1)(b) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 23 para. 12(a)**
- F82** Words in s. 45Q(2) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 23 para. 12(b)**
- F83** Words in s. 45Q(3) substituted (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 23 para. 12(b)**

45R Effect of ^{F84} failing to comply with ongoing requirements]

- (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 ^{F78}special tax site], or
 - (b) the plant or machinery is held for use otherwise than primarily in an area which was a ^{F78}special 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.

[The Treasury may by regulations make provision adding, removing or altering, or ^{F85}(3A) otherwise about, circumstances in which expenditure on the provision of plant or

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machinery is to be treated as never having been first-year qualifying expenditure under section 45O.

- (3B) The power to make regulations under subsection (3A) may be exercised only in relation to expenditure incurred on or after the date on which the regulations come into force.
- (3C) Subsections (3) and (4) of section 45P apply in relation to regulations under subsection (3A) as they apply in relation to regulations under that section.]
- (4) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1) [^{F86}or regulations under subsection (3A)].
- (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 [^{F87}or of regulations under subsection (3A)], 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 [^{F88}or of regulations under subsection (3A)].]

Textual Amendments

- F77** Ss. 45O-45R inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), **Sch. 22 para. 3**
- F78** Words in ss. 45O-45R substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 23 para. 11(b)**
- F84** Words in s. 45R heading substituted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 16 para. 3(2)**
- F85** S. 45R(3A)-(3C) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 16 para. 3(3)**
- F86** Words in s. 45R(4) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 16 para. 3(4)**
- F87** Words in s. 45R(5) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 16 para. 3(5)**
- F88** Words in s. 45R(6) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 16 para. 3(6)**

[^{F89}45S Expenditure on plant or machinery in other cases

Expenditure is first-year qualifying expenditure if—

- (a) it is incurred on or after 1 April 2023,
- (b) it is incurred by a company within the charge to corporation tax,
- (c) it is expenditure on plant or machinery which is unused and not second-hand, and
- (d) it is not excluded by section 45T (exclusion of expenditure under disqualifying arrangements) or 46 (general exclusions).]

Textual Amendments

- F89** Ss. 45S, 45T inserted (22.2.2024) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 7(3)** (as amended by [Finance Act 2024 \(c. 3\)](#), **s. 1(1)(2)(a)**)

Status: Point in time view as at 22/02/2024.

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

[^{F89}45T Exclusion of expenditure incurred under disqualifying arrangements

- (1) Expenditure is not first-year qualifying expenditure under section 45S if the expenditure is incurred directly or indirectly in consequence of, or otherwise in connection with, disqualifying arrangements.
- (2) Arrangements are “disqualifying arrangements” for the purposes of this section if—
 - (a) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage connected with expenditure being first-year qualifying expenditure under section 45S (including securing the advantage by avoiding a balancing charge under section 59A or 59B or reducing the amount or timing of such a charge), and
 - (b) it is reasonable, taking account of all the relevant circumstances—
 - (i) to conclude that the arrangements are, or include steps that are, contrived, abnormal or lacking a genuine commercial purpose, or
 - (ii) to regard the arrangements as circumventing the intended limits of relief under this Act or otherwise exploiting shortcomings in this Act.
- (3) In this section “arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

Textual Amendments

F89 Ss. 45S, 45T inserted (22.2.2024) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 7\(3\)](#) (as amended by [Finance Act 2024 \(c. 3\), s. 1\(1\)\(2\)\(a\)](#))

46 General exclusions ^{F90} ...

- (1) Expenditure within any of the general exclusions in subsection (2) is not first-year qualifying expenditure under [^{F91}any of the following provisions]—
 - ^{F92}
 - ^{F93}
 - ^{F92}
 - ^{F94}
 - [^{F95} section 45D (expenditure on cars with low CO₂ emissions),]
 - [^{F96} section 45DA (expenditure on zero-emission goods vehicles),]
 - [^{F97} section 45E (expenditure on plant or machinery for gas refuelling station)],
 - ^{F98}
 - [^{F99} section 45EA (expenditure on plant or machinery for electric vehicle charging point)]
 - [^{F100} section 45F (expenditure on plant and machinery for use wholly in a ring fence trade)]
 - ^{F94}
 - [^{F101} section 45K (expenditure on plant and machinery for use in designated assisted areas).]
 - [^{F102} section 45O (expenditure on plant and machinery for use in [^{F103} special tax sites]).]
 - [^{F104} section 45S (expenditure on plant or machinery in other cases)]
- (2) The general exclusions are—

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General exclusion 1

The expenditure is incurred in the chargeable period in which the qualifying activity is permanently discontinued.

General exclusion 2

The expenditure is incurred on the provision of a car (as defined by section [F105268A]).

F106 ...

F107 ...

General exclusion 5

The expenditure would be long-life asset expenditure but for paragraph 20 of Schedule 3 (transitional provisions).

General exclusion 6

The expenditure is on the provision of plant or machinery for leasing (whether in the course of a trade or otherwise).

For this purpose, the letting of a ship on charter, or of any other asset on hire, is to be regarded as leasing (whether or not it would otherwise be so regarded).

General exclusion 7

The circumstances of the incurring of the expenditure are that—

- (a) the provision of the plant or machinery on which the expenditure is incurred is connected with a change in the nature or conduct of a trade or business carried on by a person other than the person incurring the expenditure, and
- (b) the obtaining of a first-year allowance is the main benefit, or one of the main benefits, which could reasonably be expected to arise from the making of the change.

General exclusion 8

[F108 Any] of the following sections applies—

section 13 (use for qualifying activity of plant or machinery provided for other purposes);

[F109 section 13A (use for other purposes of plant or machinery provided for long funding leasing);]

section 14 (use for qualifying activity of plant or machinery which is a gift).

This is subject to section 161 (pre-trading expenditure on mineral exploration and access).

[F110(3) Subsection (1) is subject to the following provisions of this section.

(4) General exclusion 2 does not prevent expenditure being first-year qualifying expenditure under section 45D.]

[F111(4A) General exclusion 6 does not prevent expenditure being first-year qualifying expenditure under section 45S if the plant or machinery is provided for leasing under an excluded lease of background plant or machinery for a building.]

[F112(5)

Status: Point in time view as at 22/02/2024.

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

F112(6)

Textual Amendments

- F90** Words in s. 46 heading omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), **s. 76(5)(b)(ii)** (with s. 76(7)(8))
- F91** Words in s. 46(1) inserted (with effect in accordance with s. 167 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 30 para. 4(1)(a)**
- F92** S. 46(1) entries omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), **s. 76(5)(b)(i)** (with s. 76(7)(8))
- F93** S. 46(1) entry omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **s. 75(3)(b)**
- F94** Words in s. 46(1) omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **s. 33(2)(b)(iv)(a)**
- F95** Entry in s. 46(1) relating to s. 45D inserted (with effect as mentioned in s. 59 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 59, **Sch. 19 para. 4(2)**
- F96** Words in s. 46(1) inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), **Sch. 7 para. 4**
- F97** Entry in s. 46(1) relating to s. 45E inserted (with effect as mentioned in s. 61 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 61, **Sch. 20 para. 4**
- F98** Word in s. 46(1) repealed (with effect in accordance with s. 167 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 30 para. 4(1)(b)**, **43 Pt. 3(9)**
- F99** Words in s. 46(1) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **s. 38(4)**
- F100** Entry in s. 46(1) relating to s. 45F inserted (with effect as mentioned in s. 63 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 63, **Sch. 21 para. 5**
- F101** Words in s. 46(1) inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 11 para. 4**
- F102** Words in s. 46(1) inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), **Sch. 22 para. 4**
- F103** Words in s. 46(1) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 23 para. 11(c)**
- F104** Words in s. 46(1) inserted (22.2.2024) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 7(4)(a)** (as amended by [Finance Act 2024 \(c. 3\)](#), **s. 1(2)(a)**)
- F105** Word in s. 46(2) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 3** (with [Sch. 11 paras. 30-32](#))
- F106** Words in s. 46(2) omitted (with effect in accordance with s. 70(2) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 70(1)(a)**
- F107** Words in s. 46(2) omitted (with effect in accordance with s. 70(2) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 70(1)(b)**
- F108** Word in s. 46(2) substituted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 4(2)(a)**
- F109** Words in s. 46(2) inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 4(2)(b)**
- F110** Entry relating to s. 46(3)(4) inserted (with effect as mentioned in s. 59 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 59, **Sch. 19 para. 4(3)**
- F111** S. 46(4A) inserted (22.2.2024) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 7(4)(b)** (as amended by [Finance Act 2024 \(c. 3\)](#), **s. 1(2)(a)**)
- F112** S. 46(5)(6) omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **s. 33(2)(b)(iv)(b)**

Modifications etc. (not altering text)

- C2** S. 46(2) restricted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), **s. 9(9)**

Status: Point in time view as at 22/02/2024.

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

Expenditure of small or medium-sized enterprises

^{F113}**47 Expenditure of small or medium-sized enterprises: companies**

.....

Textual Amendments

F113 Ss. 47-49 omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 75\(3\)\(c\)](#)

^{F113}**48 Expenditure of small or medium-sized enterprises: businesses**

.....

Textual Amendments

F113 Ss. 47-49 omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 75\(3\)\(c\)](#)

^{F113}**49 Whether company is a member of a large or medium-sized group**

.....

Textual Amendments

F113 Ss. 47-49 omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 75\(3\)\(c\)](#)

Supplementary

50 Time when expenditure is incurred

In determining whether expenditure is first-year qualifying expenditure under this Chapter, any effect of section 12 on the time at which it is to be treated as incurred is to be disregarded.

^{F114}**51 Disclosure of information between UK tax authorities**

.....

Textual Amendments

F114 S. 51 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\), s. 76\(5\)\(c\)](#) (with s. 76(7)(8))

Status:

Point in time view as at 22/02/2024.

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 4.