

*Status: Point in time view as at 12/08/2005.*

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## SCHEDULES

### SCHEDULE 3

#### TRANSITIONALS AND SAVINGS

#### PART 4

#### PLANT AND MACHINERY ALLOWANCES

#### *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—

Table

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

<b>Type of original first-year qualifying expenditure</b>	<b>Amount</b>
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—

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- (a) it was incurred in the period beginning with 1st November 1992 and ending with 31st October 1993, and
  - (b) 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—
- (a) in the chargeable period in which there was a permanent discontinuance of the qualifying activity, or
  - (b) 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—
- (a) the expenditure was incurred on or after 14th April 1993,
  - (b) 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
  - (c) 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.

*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,

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- (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.
- (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)).

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*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.

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