



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 4

FIRST-YEAR QUALIFYING EXPENDITURE

Types of expenditure which may qualify for first-year allowances

[^{F1}45K Expenditure on plant and machinery for use in designated assisted areas

- (1) Expenditure is first-year qualifying expenditure if—
- 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,
 - it is incurred in the period ^{F2}... beginning with [^{F3}the date on which the area is (or is treated as) designated under subsection (2)(a)] [^{F4}and ending with whichever is the later of the day immediately before the eighth anniversary of that date or 31st March 2021],
 - Conditions A to E are met.

[The Treasury may by order amend subsection (1)(b) so as to extend the period ^{F5}(1A) specified.]

- (2) “Designated assisted area” means an area which—
- is designated by an order made by the Treasury, and
 - 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—
- the area falls wholly within an enterprise zone, and

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- (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^{F6}(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—
- (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.

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- (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

- F1** 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](#)
- F2** 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\(2\)\(a\)](#)
- F3** Words in s. 45K(1)(b) substituted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 69](#)
- F4** 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\(2\)\(b\)](#)
- F5** S. 45K(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 64\(5\)\(b\)](#)
- F6** 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](#)

Modifications etc. (not altering text)

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

Changes to legislation:

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