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SCHEDULES

SCHEDULE 10

TAX

PART 2

PROVISIONS RELATING TO PART 5

CAPITAL ALLOWANCES

Plant and machinery

- 12 (1) If there is a Part 5 transfer of plant or machinery, Part 2 of the Allowances Act 2001 is to have effect as if a transferor who has incurred qualifying expenditure were required to bring the disposal value of the plant or machinery into account in accordance with section 61 of that Act for the chargeable period in which the transfer occurs.
- (2) But the Part 5 transfer is not to be treated as a disposal event for the purposes of Part 2 of that Act other than by virtue of sub-paragraph (1).
- 13 (1) If a compensating payment is made to the transferor, the disposal value to be brought into account is the amount of the payment.
- (2) Otherwise, the disposal value to be brought into account is the amount which would give rise neither to a balancing allowance nor to a balancing charge.
- 14 (1) Paragraph 13(2) does not apply if the qualifying expenditure has been allocated to the main pool or a class pool.
- (2) Instead, the disposal value to be brought into account is the notional written-down value of the qualifying expenditure incurred by the transferor on the provision of the plant or machinery.
- (3) The notional written-down value is—

QE – A

where—

QE is the qualifying expenditure incurred by the transferor on the provision of the plant or machinery,

A is the total of all allowances which could have been made to the transferor in respect of the expenditure if—

- (a) that expenditure had been the only expenditure that had ever been taken into account in determining his available qualifying expenditure, and
- (b) all allowances had been made in full.

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- (4) But if—
- (a) the Part 5 transfer of the plant or machinery occurs in the same chargeable period as that in which the qualifying expenditure is incurred, and
 - (b) a first-year allowance is made in respect of an amount of the expenditure, the disposal value to be brought into account is that which is equal to the balance left after deducting the first year allowance.
- 15 (1) Paragraph 13 does not apply if—
- (a) a qualifying activity is carried on in partnership,
 - (b) the Part 5 transfer is a transfer of plant or machinery which is partnership property, and
 - (c) compensating payments are made to one or more, but not both or all, of the partners.
- (2) Instead, the disposal value to be brought into account is the sum of—
- (a) any compensating payments made to any of the partners, and
 - (b) in the case of each partner to whom a compensating payment has not been made, his share of the tax-neutral amount.
- (3) A partner's share of the tax-neutral amount is to be determined according to the profit-sharing arrangements for the twelve months ending immediately before the date of the Part 5 transfer.
- 16 (1) Paragraph 13 does not apply if—
- (a) a qualifying activity is carried on in partnership,
 - (b) the Part 5 transfer is a transfer of plant or machinery which is not partnership property but is owned by two or more of the partners ("the owners"),
 - (c) the plant or machinery is used for the purposes of the qualifying activity, and
 - (d) compensating payments are made to one or more, but not both or all, of the owners.
- (2) Instead, the disposal value to be brought into account is the sum of—
- (a) any compensating payments made to any of the owners, and
 - (b) in the case of each owner to whom a compensating payment has not been made, his share of the tax-neutral amount.
- (3) An owner's share of the tax-neutral amount is to be determined in proportion to the value of his interest in the plant or machinery.
- 17 (1) Paragraphs 12 to 16 have effect as if they were included in section 61 of the Allowances Act 2001.
- (2) In paragraphs 15 and 16, the tax-neutral amount is the amount that would be brought into account as the disposal value under paragraph 13(2) or (as the case may be) 14 if the provision in question were not disapplied.

Industrial buildings

- 18 (1) If there is a Part 5 transfer of a relevant interest in an industrial building, Part 3 of the Allowances Act 2001 is to have effect as if the transfer were a balancing event within section 315(1) of that Act.

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- (2) But the Part 5 transfer is not to be treated as a balancing event for the purposes of Part 3 of that Act other than by virtue of sub-paragraph (1).
- 19 (1) If a compensating payment is made to the transferor, the proceeds from the balancing event are the amount of the payment.
- (2) Otherwise—
- (a) the proceeds from the balancing event are the amount which is equal to the residue of qualifying expenditure immediately before the transfer, and
- (b) no balancing adjustment is to be made as a result of the event under section 319 of the Allowances Act 2001.
- 20 (1) Paragraph 19 does not apply to determine the proceeds from the balancing event if—
- (a) the relevant interest in the industrial building is partnership property, and
- (b) compensating payments are made to one or more, but not both or all, of the partners.
- (2) Instead, the proceeds from the balancing event are the sum of—
- (a) any compensating payments made to any of the partners, and
- (b) in the case of each partner to whom a compensating payment has not been made, his share of the amount which is equal to the residue of qualifying expenditure immediately before the Part 5 transfer.
- (3) A partner's share of that amount is to be determined according to the profit-sharing arrangements for the twelve months ending immediately before the date of the Part 5 transfer.
- 21 Paragraphs 18 to 20 have effect as if they were included in Part 3 of the Allowances Act 2001.

Flat conversion

- 22 (1) If there is a Part 5 transfer of a relevant interest in a flat, Part 4A of the Allowances Act 2001 is to have effect as if the transfer were a balancing event within section 393N of that Act.
- (2) But the Part 5 transfer is not to be treated as a balancing event for the purposes of Part 4A of that Act other than by virtue of sub-paragraph (1).
- 23 (1) If a compensating payment is made to the transferor, the proceeds from the balancing event are the amount of the payment.
- (2) Otherwise, the proceeds from the balancing event are the amount which is equal to the residue of qualifying expenditure immediately before the transfer.
- 24 (1) Paragraph 23 does not apply to determine the proceeds from the balancing event if—
- (a) the relevant interest in the flat is partnership property, and
- (b) compensating payments are made to one or more, but not both or all, of the partners.
- (2) Instead, the proceeds from the balancing event are the sum of—
- (a) any compensating payments made to any of the partners, and
- (b) in the case of each partner to whom a compensating payment has not been made, his share of the amount which is equal to the residue of qualifying expenditure immediately before the transfer.

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- (3) A partner's share of that amount is to be determined according to the profit-sharing arrangements for the twelve months ending immediately before the date of the transfer.
- 25 Paragraphs 22 to 24 have effect as if they were included in Part 4A of the Allowances Act 2001.

Research and development

- 26 If there is a Part 5 transfer of an asset representing qualifying expenditure incurred by a person, the disposal value he is required to bring into account under section 443(1) of the Allowances Act 2001 for any chargeable period is to be determined as follows (and not in accordance with subsection (4) of that section).
- 27 (1) If a compensating payment is made to the transferor, the disposal value he is required to bring into account is the amount of the payment.
- (2) Otherwise, the disposal value he is required to bring into account is nil.
- 28 (1) Paragraph 27 does not apply to determine the disposal value to be brought into account if—
- (a) the asset is partnership property, and
 - (b) compensating payments are made to one or more, but not both or all, of the partners.
- (2) Instead, the disposal value to be brought into account is equal to the sum of any compensating payments.
- 29 Paragraphs 26 to 28 have effect as if they were included in Part 6 of the Allowances Act 2001.