



# Finance Act 2003

## 2003 CHAPTER 14

### PART 7

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX: GENERAL

*Capital allowances and related matters*

#### **164 Avoidance affecting proceeds of balancing event**

- (1) In Chapter 5 of Part 12 of the Capital Allowances Act 2001 (c. 2) (miscellaneous supplementary provisions), after section 570 insert—

*“Anti-avoidance*

#### **570A Avoidance affecting proceeds of balancing event**

- (1) This section applies where an event occurs in relation to an asset (a “balancing event”) as a result of which a balancing allowance would (but for this section) fall to be made to a person (“the taxpayer”) under Part 3, 4, 4A, 5 or 10.
- (2) The taxpayer is not entitled to any balancing allowance if, as a result of a tax avoidance scheme, the amount to be brought into account as the proceeds from the event is less than it would otherwise have been.
- (3) In subsection (2) a “tax avoidance scheme” means a scheme or arrangement the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage by the taxpayer.
- (4) Where this section applies to deny a balancing allowance, the residue of qualifying expenditure immediately after the balancing event is nevertheless calculated as if the balancing allowance had been made.
- (5) In this section as it applies for the purposes of Part 5 (mineral extraction allowances)—

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*Status: This is the original version (as it was originally enacted).*

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- (a) the references to the proceeds from the balancing event that are to be brought into account shall be read as references to the disposal value to be brought into account, and
- (b) the reference to the residue of qualifying expenditure shall be read as a reference to the unrelieved qualifying expenditure.”.

(2) This section applies in relation to any balancing event (within the meaning of section 570A, inserted by subsection (1) above) occurring on or after 27th November 2002, except where the event—

- (a) occurs in pursuance of a contract entered into before that date, and
- (b) does not occur in consequence of the exercise on or after that date of an option, right of pre-emption or similar right.

### **165 Extension of first-year allowances for ICT expenditure by small enterprises**

In section 45(1) of the Capital Allowances Act 2001 (c. 2) (ICT expenditure incurred by small enterprises: first-year qualifying expenditure), in paragraph (a) (under which the expenditure must be incurred on or before 31st March 2003) for “31st March 2003” substitute “31st March 2004”.

### **166 Expenditure on software for sub-licensing**

(1) Section 45 of the Capital Allowances Act 2001 (first-year allowances for ICT expenditure incurred by small enterprises) is amended as follows.

(2) In subsection (1)(d) (expenditure must not be excluded by general exclusions in section 46) at the end insert “or subsection (4) below”.

(3) After subsection (3) insert—

“(4) Expenditure on an item within Class C is not first-year qualifying expenditure under this section if the person incurring it does so with a view to granting to another person a right to use or otherwise deal with any of the software in question.”.

(4) This section applies in relation to expenditure incurred on or after 26th March 2003.

### **167 First-year allowances for expenditure on environmentally beneficial plant or machinery**

Schedule 30 to this Act (first-year allowances for expenditure on environmentally beneficial plant or machinery) has effect in relation to expenditure incurred on or after 1st April 2003.

### **168 Relief for research and development**

(1) Schedule 31 to this Act (which makes amendments relating to relief for expenditure on research and development) shall have effect.

(2) In that Schedule—

Part 1 amends Schedule 20 to the Finance Act 2000 (c. 17) (relief for small and medium-sized enterprises);

Part 2 amends Part 1 of Schedule 12 to the Finance Act 2002 (c. 23) (relief for large companies);

Part 3 amends Part 2 of that Schedule (work sub-contracted to small or medium-sized enterprise);

Part 4 inserts a new Part 2A into that Schedule (entitlement of small or medium-sized enterprise to additional relief available to large companies in respect of subsidised expenditure);

Part 5 makes supplementary amendments to Parts 3 to 6 of that Schedule; and

Part 6 amends Schedule 13 to the Finance Act 2002 (expenditure on vaccine research etc).

(3) Except as provided by subsection (4)—

(a) the amendments made by Parts 1 and 6 of Schedule 31 have effect in relation to expenditure incurred on or after the appointed day, and

(b) the amendments made by Parts 2 to 5 of that Schedule have effect in relation to expenditure incurred on or after 9th April 2003.

(4) The exceptions are that—

(a) the amendments made by paragraphs 2 and 3 in Part 1 have effect for accounting periods beginning on or after the appointed day;

(b) in the application of paragraph 5 of Schedule 20 to the Finance Act 2000 (c. 17) (staffing costs) for any purpose of Schedule 12 to the Finance Act 2002 (c. 23) by virtue of paragraph 17(b) of that Schedule (meaning of “staffing costs”), the amendments made by paragraph 5 in Part 1 of Schedule 31 to this Act (persons partly engaged directly and actively in R&D) have effect in relation to expenditure incurred on or after 9th April 2003;

(c) the amendments made by paragraph 6 in Part 1 (qualifying expenditure on externally provided workers), in their application by virtue of paragraph 19 in Part 5 (application for purposes of Schedule 12 to the Finance Act 2002 (c. 23)), have effect in relation to expenditure incurred on or after 9th April 2003;

(d) the amendments made by—

(i) paragraph 9 in Part 2,

(ii) paragraphs 12 and 13 in Part 3, and

(iii) paragraph 15 in Part 4,

have effect for accounting periods beginning on or after 9th April 2003;

(e) the amendments made by paragraph 21 in Part 6 (reduction of company’s required minimum qualifying expenditure in an accounting period from £25,000 etc to £10,000 etc) have effect for accounting periods beginning on or after the appointed day.

(5) In this section the “appointed day” means such day as the Treasury may by order appoint; and different days may be so appointed for different provisions or different purposes.

## **169 Tonnage tax: extension of capital allowance restrictions on lessors of ships**

Schedule 32 to this Act (tonnage tax: restrictions on capital allowances for lessors of ships) has effect.