



Finance Act 2007

2007 CHAPTER 11

PART 2

ENVIRONMENT

Energy-saving: houses

17 Corporation tax deduction for expenditure on energy-saving items

(1) In ICTA, after section 31 insert—

“31ZA Deduction for expenditure on energy-saving items

- (1) This section applies if—
- (a) a company carries on a Schedule A business in relation to land which consists of or includes a dwelling-house,
 - (b) the company incurs expenditure in acquiring and installing an energy-saving item in the dwelling-house or in a building containing the dwelling-house (see subsections (5) to (7)),
 - (c) the expenditure is incurred before 1st April 2015,
 - (d) a deduction for the expenditure is not prohibited by the wholly and exclusively rule but would otherwise be prohibited by the capital prohibition rule (see subsection (8)), and
 - (e) no allowance under the Capital Allowances Act may be claimed in respect of the expenditure.
- (2) In calculating the profits of the Schedule A business, a deduction for the expenditure is allowed.
- (3) But any deduction is subject to—
- (a) section 31ZB (restrictions on the relief), and
 - (b) any provision made by regulations under section 31ZC.

Status: This is the original version (as it was originally enacted).

- (4) If, on a just and reasonable apportionment of any expenditure, part of the expenditure would qualify for the relief (but the remainder would not), a deduction is allowed for that part.
- (5) “Energy-saving item” means an item of an energy-saving nature of such description as is for the time being specified in regulations made by the Treasury.
- (6) The Treasury may by regulations provide for an item to be an energy-saving item only if it satisfies such conditions as may be—
 - (a) specified in, or
 - (b) determined in accordance with, the regulations.
- (7) The conditions may include conditions imposed by reference to information or documents issued by any body, person or organisation.
- (8) In this section—
 - “the capital prohibition rule” means the rule in section 74(1)(f) or (g) (capital expenditure), as applied by section 21A, and
 - “the wholly and exclusively rule” means the rule in section 74(1) (a) or (e) (expenses not wholly and exclusively for trade and unconnected losses), as applied by section 21A.

31ZB Restrictions on relief

- (1) This section restricts deductions that would otherwise be allowable under section 31ZA.
- (2) No deduction is allowed if, when the energy-saving item is installed, the dwelling-house—
 - (a) is in the course of construction, or
 - (b) is comprised in land in which the company does not have an interest or is in the course of acquiring an interest or further interest.
- (3) No deduction is allowed in respect of expenditure in an accounting period if—
 - (a) the Schedule A business consists of or includes the commercial letting of furnished holiday accommodation for the purposes of section 503, and
 - (b) the dwelling-house constitutes some or all of that accommodation for the accounting period.
- (4) No deduction is allowed in respect of expenditure treated by section 401 (as applied by section 21B) as incurred on the date on which the company starts to carry on the Schedule A business unless the expenditure was incurred not more than 6 months before that date.
- (5) No deduction is allowed in respect of expenditure incurred in acquiring and installing the energy-saving item in a building containing the dwelling-house in so far as the expenditure is not for the benefit of the dwelling-house.

31ZC Regulations

- (1) In relation to any deduction under section 31ZA, the Treasury may make regulations for—
 - (a) restricting or reducing the amount of expenditure for which the deduction is allowable,
 - (b) excluding entitlement to the deduction in such cases as may be specified in, or determined in accordance with, the regulations,
 - (c) determining who is (and is not) entitled to the deduction if different persons have different interests in land that consists of or includes the whole or part of a building containing one or more dwelling-houses,
 - (d) making apportionments if the Schedule A business is carried on by persons in partnership or an interest in land is beneficially owned by persons jointly or in common.
 - (2) The apportionments that may be made include apportionments to persons within the charge to income tax.
 - (3) Regulations under this section may—
 - (a) make different provision for different cases, and
 - (b) contain incidental, supplemental, consequential and transitional provision and savings (including provision as to appeals in relation to apportionments mentioned in subsection (1)(d)).”
- (2) The amendment made by subsection (1) has effect in relation to expenditure incurred on or after such day as the Treasury may by order appoint.