



# Finance Act 2008

## 2008 CHAPTER 9

### PART 3

#### CAPITAL ALLOWANCES

##### *Plant and machinery: writing-down allowances and pools*

#### **80 Main rate of writing down allowance**

(1) Section 56 of CAA 2001 (amount of allowances and charges) is amended as follows.

(2) In subsection (1), for “25%” substitute “ 20% ”.

(3) After that subsection insert—

“(1A) But in relation to qualifying expenditure incurred wholly for the purposes of a ring fence trade in respect of which tax is chargeable under section 501A of ICTA (supplementary charge in respect of ring fence trades), the amount of the writing-down allowance to which a person is entitled for a chargeable period is 25% of the amount by which AQE exceeds TDR.”

(4) In subsection (2), for “Subsection (1) is” substitute “ Subsections (1) and (1A) are ”.

<sup>F1</sup>(5) .....

<sup>F1</sup>(6) .....

<sup>F1</sup>(7) .....

(8) The amendments made by this section have effect in relation to chargeable periods—

- (a) beginning on or after the relevant date, and
- (b) beginning before, and ending on or after, the relevant date.

(9) But in respect of a chargeable period within subsection (8)(b), they apply as if in—

- (a) section 56(1) of CAA 2001,
- (b) the provisions listed in subsection (6), and

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(c) paragraph 99(5) of Schedule 22 to FA 2000,  
the references to 20% were to x%.

(10) For the purposes of subsection (9)—

$$x = \left( 25 \times \frac{BRD}{CP} \right) + \left( 20 \times \frac{ARD}{CP} \right)$$

Where x would be a figure with more than 2 decimal places, it is to be rounded up to the nearest second decimal place.

(11) In subsection (10)—

BRD is the number of days in the chargeable period before the relevant date,  
ARD is the number of days in the chargeable period on and after the relevant date, and  
CP is the number of days in the chargeable period.

(12) The relevant date is—

- (a) for corporation tax purposes, 1 April 2008, and
- (b) for income tax purposes, 6 April 2008.

#### Textual Amendments

- F1** S. 80(5)-(7) omitted (with effect in accordance with s. 57(8)-(9) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), s. 57\(7\)](#)

## 81 Small pools

- (1) CAA 2001 is amended as follows.
- (2) In section 56(2) (amount of allowances and charges), before paragraph (a) insert—  
“(za) section 56A (small main pools and special rate pools),”.
- (3) After section 56 insert—

### “56A Writing-down allowances for small pools

- (1) This section applies in relation to the main pool and the special rate pool.
- (2) Where the amount by which AQE exceeds TDR is less than or equal to the small pool limit, the amount of the writing-down allowance to which a person is entitled for a chargeable period is the amount by which AQE exceeds TDR.
- (3) The small pool limit is £1,000, except that—
  - (a) if the chargeable period is more or less than a year, it is proportionately increased or reduced, and
  - (b) if the qualifying activity has been carried on for part only of the chargeable period, it is proportionately reduced.
- (4) A person claiming a writing-down allowance under this section may require the allowance to be reduced to a specified amount.

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- (5) The Treasury may by order substitute for the amount for the time being specified in subsection (3) such other amount as it thinks fit.
- (6) An order under subsection (5) may make such incidental, supplemental, consequential and transitional provision as the Treasury thinks fit.”
- (4) In section 59(1) (definition of unrelieved qualifying expenditure)—
  - (a) after “that period” insert “ (a) ”, and
  - (b) after “TDR” insert “, and
    - (b) where section 56A(2) applies, the person does not claim a writing-down allowance of the amount by which AQE exceeds TDR.”
- (5) The amendments made by this section have effect—
  - (a) for corporation tax purposes, in relation to chargeable periods beginning on or after 1 April 2008, and
  - (b) for income tax purposes, in relation to chargeable periods beginning on or after 6 April 2008.

## **82 Special rate expenditure and the special rate pool**

Schedule 26 contains provision about special rate expenditure and the special rate pool.

## **83 Existing long-life asset expenditure treated as special rate expenditure**

- (1) This section applies in relation to long-life asset expenditure—
  - (a) incurred before the relevant date, and
  - (b) allocated to a pool in a chargeable period beginning before the relevant date.
- (2) In relation to a transitional chargeable period, section 102 of CAA 2001 applies as if the percentage figure specified in subsection (1) of that section were x%, where—

$$x = \left(6 \times \frac{BRD}{CP}\right) + \left(10 \times \frac{ARD}{CP}\right)$$

Where x would be a figure with more than 2 decimal places, it is to be rounded up to the nearest second decimal place.

- (3) In subsection (2)—

BRD is the number of days in the chargeable period before the relevant date,  
ARD is the number of days in the chargeable period on and after the relevant date, and  
CP is the number of days in the chargeable period.
- (4) Any unrelieved qualifying expenditure in a long-life asset pool at the end of—
  - (a) a transitional chargeable period, or
  - (b) a chargeable period which ends immediately before the relevant date,is to be carried forward to the special rate pool.
- (5) In subsequent chargeable periods, expenditure so carried forward is to be treated for the purposes of CAA 2001 as if it were special rate expenditure carried forward in the special rate pool from the chargeable period mentioned in subsection (4).

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- (6) Any unrelieved qualifying expenditure in a single asset pool at the end of—
- (a) a transitional chargeable period, or
  - (b) a chargeable period which ends immediately before the relevant date,
- is in subsequent chargeable periods to be treated for the purposes of CAA 2001 as if it were special rate expenditure carried forward in the single asset pool from that chargeable period.
- (7) Where expenditure is treated as special rate expenditure because of this section, for the purposes of section 104E of CAA 2001—
- (a) the reference in subsection (1)(a) of that section to section 104D of CAA 2001 includes a reference to section 102 of that Act (writing-down allowances in respect of long-life asset expenditure), and
  - (b) the allowances that could have been made to the taxpayer in respect of the expenditure include allowances that could have been made under section 102 of that Act for chargeable periods before that in which the expenditure was first treated as special rate expenditure.
- (8) A “transitional chargeable period” is one which begins before, and ends on or after, the relevant date.
- (9) “The relevant date” means—
- (a) for corporation tax purposes, 1 April 2008, and
  - (b) for income tax purposes, 6 April 2008.
- (10) Expressions used in this section and in CAA 2001 have the same meaning in this section as in that Act.

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