

Status: Point in time view as at 01/04/2010.

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SCHEDULES

SCHEDULE 26

SPECIAL RATE EXPENDITURE AND THE SPECIAL RATE POOL

PART 1

AMENDMENTS OF CAA 2001

Introductory

1 CAA 2001 is amended as follows.

Special rate expenditure and the special rate pool

2 After Chapter 10 insert—

“CHAPTER 10A

SPECIAL RATE EXPENDITURE

Special rate expenditure

Special rate expenditure

104A(1) “Special rate expenditure” means—

- (a) expenditure incurred on or after the relevant date to which section 28 (thermal insulation) applies,
- (b) expenditure incurred on or after that date to which section 33A (integral features) applies,
- (c) long-life asset expenditure (within the meaning of Chapter 10) incurred on or after that date, and
- (d) long-life asset expenditure (within the meaning of that Chapter) incurred before that date but allocated to a pool in a chargeable period beginning on or after that date.

(2) The relevant date is—

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

Application of Chapter to part of expenditure

104B(1) If part only of the capital expenditure on plant and machinery is special rate expenditure—

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- (a) the part which is such expenditure, and
 - (b) the part which is not,
- are to be treated for the purposes of this Act as expenditure on separate items of plant or machinery.
- (2) For the purposes of subsection (1), all such apportionments are to be made as are just and reasonable.

Rules applying to special rate expenditure

Special rate pool

- 104C) Special rate expenditure to which this section applies, if allocated to a pool, must be allocated to a class pool (“the special rate pool”).
- (2) This section applies to special rate expenditure if—
- (a) it is incurred wholly and exclusively for the purposes of a qualifying activity, and
 - (b) it is not expenditure which is required to be allocated to a single asset pool.

Writing-down allowances at 10%

- 104D) The amount of the writing-down allowance to which a person is entitled for a chargeable period in respect of expenditure which is special rate expenditure is 10% of the amount by which AQE exceeds TDR (see Chapter 5).
- (2) Subsection (1) applies even if the special rate expenditure is in a single asset pool.
- (3) In the case of expenditure in the special rate pool, this section is subject to section 56A (writing-down allowance for small pools).
- (4) Subsections (3) and (4) of section 56 (proportionate increases or reductions in amount in certain cases) apply for the purposes of subsection (1) of this section as they apply for the purposes of subsection (1) of that section.

Disposal value of special rate assets

- 104E) This section applies if—
- (a) section 104D (writing-down allowances at 10%) has had effect in relation to any special rate expenditure incurred by a person (“the taxpayer”),
 - (b) any disposal event occurs in relation to the item on which the expenditure was incurred,
 - (c) the disposal value to be brought into account by the taxpayer would (but for this section) be less than the notional written-down value of the item, and
 - (d) the disposal event is part of, or occurs as a result of, a scheme or arrangement the main purpose or one of the main purposes of which is the obtaining by the taxpayer of a tax advantage under this Part.

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- (2) The disposal value that the taxpayer must bring into account is the notional written-down value of the item.
- (3) The notional written-down value is—

QE – A

where—

QE is the taxpayer's expenditure on the item that is qualifying expenditure, and

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

- (a) that expenditure had been the only expenditure that had ever been taken into account in determining the taxpayer's available qualifying expenditure,
- (b) where the item is a long-life asset, that expenditure had not been prevented by the application of a monetary limit from being long-life asset expenditure, and
- (c) all allowances had been made in full.”

Consequential amendments

- 3 In section 54(5) (the different kinds of pools), for “section 101 (long life assets);” substitute “ section 104C (special rate expenditure); ”.
- 4 In section 56(2) (amount of allowances and charges), for paragraph (a) substitute—
“(a) section 104D (special rate expenditure: 10%), and”.
- 5 In section 65(1) (final chargeable period), for paragraph (b) substitute—
“(b) a special rate pool,”.
- 6 In section 66 (list of provisions about disposal values), for the entry relating to section 104 substitute—
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- | | |
|---------------|---|
| “section 104E | special rate expenditure: avoidance cases”. |
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- 7 In column 1 of the table in section 84 (cases in which short-life asset treatment is ruled out), for item 4 substitute—
“4 The expenditure is special rate expenditure (see Chapter 10A).”
- 8 Omit section 92 (application of Chapter 10 to part of expenditure).
- 9 For section 101 (long-life asset pool) substitute—

“101 Allocation of long-life asset expenditure to pool

Chapter 10A (special rate expenditure and the special rate pool) provides for long-life asset expenditure to be allocated to the special rate pool.”

- 10 For section 102 (6% writing-down allowance in respect of long-life asset expenditure) substitute—

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“102 Writing-down allowance in respect of long-life asset expenditure

Chapter 10A (special rate expenditure and the special rate pool) provides for the writing-down allowance to which a person is entitled in respect of long-life asset expenditure.”

- 11 Omit section 104 (disposal value of long-life assets).
- 12 In section 266(7) (certain provisions disapplied where election made under section 266)—
- (a) for “104” substitute “ 104E ”, and
 - (b) for “of long-life assets” substitute “ in connection with special rate expenditure ”.
- 13 In Part 2 of Schedule 1 (index of defined expressions), insert at the appropriate place—

“special rate expenditure (in Part 2) section 104A”.

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