

EXPLANATORY MEMORANDUM TO

THE CAPITAL ALLOWANCES ACT 2001 (EXTENSION OF FIRST-YEAR ALLOWANCES) (AMENDMENT) ORDER 2017

2017 No. 1304

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument amends Capital Allowances Acts 2001 section 45DA(1)(a) and section 45E(1)(a).
- 2.2 The effect is that the first year allowance (FYA) for zero-emission goods vehicles (ZEGV) and gas refuelling equipment (GRE) is extended for three years.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments.

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 Sections 45DA and 45E of the Capital Allowances Act 2001 contain the legislation relating to these FYA schemes.
- 4.2 Section 45DA(1) provides that expenditure on the provision of unused (not second-hand) zero-emission goods vehicle is qualifying expenditure if incurred within a relevant date.
- 4.3 Section 45DA(1A) provides that the Treasury may extend the period specified in section 45DA(1)(a). This Order extends the period by three years. The scheme will end on 31 March 2021 for corporation tax (CT) and 5 April 2021 for income tax (IT).
- 4.4 Section 45E(1) provides that expenditure on the provision of unused (not second-hand) plant or machinery for gas refuelling stations is qualifying expenditure if incurred within a relevant date.
- 4.5 Section 45E(1A) provides that the Treasury may extend the period specified in section 45E(1)(a). This Order extends the period by three years. The scheme will end on 31 March 2021 for both CT and IT.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

- 6.1 The Financial Secretary to the Treasury has made the following statement regarding Human Rights:

“In my view the provisions of The Capital Allowances (Extension of First-Year Allowances) (Amendment) Order 2017 are compatible with the Convention rights.”

7. Policy background

What is being done and why

- 7.1 The FYA scheme is one of a range of measures to encourage the reduction in the UK’s carbon emissions.
- 7.2 The scheme enables a business to claim accelerated tax relief on its spending on qualifying expenditure. The cash-flow benefit of accelerated tax relief can encourage businesses to invest in qualifying zero-emission goods vehicles and gas refuelling equipment.
- 7.3 This Order extends the FYA for both schemes.
- 7.4 The ZEGV scheme is now scheduled to end on 31 March 2021 for CT and 5 April 2021 for IT, while the GRE scheme is now scheduled to end on 31 March 2021 for both CT and IT.

Consolidation

- 7.5 This instrument does not consolidate another instrument.

8. Consultation outcome

- 8.1 The Government does not generally consult on legislation containing straightforward technical changes.

9. Guidance

- 9.1 Relevant guidance will be updated as appropriate as part of the normal process of review.

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is negligible.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note covering this instrument was published on 22 November 2017 alongside the Autumn Budget 2017 and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

- 11.1 The legislation applies activities that are undertaken by small businesses.

- 11.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 11.3 Most small businesses will be able to claim Annual Investment Allowance (AIA), which is £200,000 per annum, so they will only use this relief if they exceed the AIA limit. If they do need to claim the relief as this Order only extends the period for the relief the burden on small businesses will be negligible.

12. Monitoring & review

- 12.1 The measure will be kept under review through communication with affected taxpayer groups.

13. Contact

- 13.1 Tunde Ojetola at HM Revenue and Customs. Telephone: 03000 585 916 or email: tunde.ojetola@hmrc.gsi.gov.uk can answer any queries regarding the instrument.