
DRAFT STATUTORY INSTRUMENTS

2011 No.

The Enactment of Extra-Statutory Concessions Order 2011

Wear and tear allowance

- 12.**—(1) The Corporation Tax Act 2009(1) is amended as follows.
(2) After section 248 (furnished lettings) insert—

“Furnished accommodation: wear and tear allowance

248A Wear and tear allowance: election

- (1) Where—
- (a) a company (“C”) carries on a property business in an accounting period which consists of or includes a furnished letting, and
 - (b) a dwelling-house that is subject to the letting is eligible in relation to C at any time in the period,

C may make an election (a “wear and tear allowance election”) in relation to the business for the period.

(2) A wear and tear allowance election for an accounting period must be made within the period of two years beginning at the end of the accounting period.

(3) In this section and sections 248B and 248C, “furnished letting” means a furnished letting as defined in section 248 but does not include a commercial letting of furnished holiday accommodation (within the meaning of Chapter 6).

- (4) See—
- section 248B for the meaning of “eligible” in relation to a dwelling-house, and
 - section 248C for the effect of a wear and tear allowance election.

248B Meaning of “eligible” in relation to a dwelling-house

(1) A dwelling-house is “eligible” at any time in relation to a company (“C”) that carries on a property business in an accounting period if, at that time—

- (a) the dwelling-house is subject to a furnished letting comprised in the business,
- (b) the dwelling-house contains sufficient furniture, furnishings and equipment for normal residential use, and
- (c) C is responsible for the state of affairs mentioned in paragraph (b).

(2) C is so responsible if—

- (a) any of the furniture, furnishings and equipment contained in the dwelling-house at the time mentioned in subsection (1) is provided by C,

- (b) that furniture, furnishings and equipment, together with any furniture, furnishings and equipment in the dwelling-house at that time provided by a superior landlord of C, is sufficient for normal residential use, and
 - (c) the conditions in paragraphs (a) and (b) are not met in relation to a superior landlord of C.
- (3) References in this section to a superior landlord of C are to any person who—
- (a) has an interest in the dwelling-house that is superior to that of C, and
 - (b) carries on a property business in the accounting period that consists of or includes a furnished letting to which the dwelling-house is subject.

248C Effect of wear and tear allowance election

(1) This section applies where a company (“C”) makes a wear and tear allowance election that has effect in relation to a property business (“the property business”) for an accounting period (“the accounting period”).

- (2) In calculating the profits of the property business for the accounting period—
- (a) a wear and tear allowance is allowed as a deduction, and
 - (b) no deduction is allowed—
 - (i) whether under section 68 or otherwise, for expenses incurred on replacing or altering any tool (within the meaning of subsection (3) of that section), so far as the expenses are within subsection (6), or
 - (ii) whether under section 248 or otherwise, for expenses incurred in connection with the provision of furniture, so far as the expenses are within subsection (6).

(3) The amount of the wear and tear allowance is 10% of the relevant rental amount.

- (4) In subsection (3) “the relevant rental amount” means—
- (a) the sum of the amounts brought into account as receipts by C in calculating the profits of the property business so far as the receipts are within subsection (6), less
 - (b) the sum of any amounts brought into account as relevant expenses by C in calculating the profits of the property business so far as the expenses are within subsection (6).

(5) In subsection (4)(b) “relevant expenses” means expenses in relation to utilities, council tax or anything else the cost of which is, in the case of a furnished letting, normally borne by the lessee.

(6) Receipts or expenses are within this subsection so far as they are attributable to a dwelling-house that is subject to a furnished letting comprised in the property business, but disregarding any amounts that are so attributable in respect of a time at which the dwelling-house is not eligible in relation to C.

(7) Receipts and expenses are to be attributed for the purposes of subsection (6) on a just and reasonable basis.”.

(3) In section 269 (separate profit calculations), in subsection (2)(2), at the end of paragraph (b) insert—

“, or

- (c) a wear and tear allowance is allowed in relation to the business under section 248C of this Act.”.

(2) Subsection (2) was amended by paragraphs 1 and 603 of Schedule 1 to the Corporation Tax Act 2010 (c. 4).

