



Capital Allowances Act 1990

1990 CHAPTER 1

PART II

MACHINERY AND PLANT

CHAPTER II

SHIPS

31 Writing-down allowances

- (1) This section and sections 32 and 33 apply in any case where—
 - (a) a person (“the shipowner”) carrying on a trade incurs expenditure on the provision of a ship for the purposes of that trade (the “actual trade”);
 - (b) the ship is not provided for leasing or letting on charter otherwise than by way of lease, or is so provided but it appears that the ship will be used for a qualifying purpose in the requisite period and will not at any time in that period be used for any other purpose, and the expenditure does not fall within section 42(1); and
 - (c) the actual trade is not a separate trade which the shipowner is treated as carrying on by virtue of section 61(1).
- (2) Subject to sections 32 and 33, it shall be assumed for the purposes of sections 24, 25 and 26 and subsections (3) to (10) below—
 - (a) that the shipowner incurred the expenditure on the provision of the ship wholly and exclusively for the purposes of a trade (“a single ship trade”) carried on by him separately from his actual trade and from any other trade which he may in fact carry on or is assumed for any purpose to carry on; and
 - (b) that, without prejudice to section 24(6)(c)(i) to (iii), the single ship trade is permanently discontinued when the ship begins to be used wholly or partly for purposes other than those of the actual trade or, if it is earlier, at a time within the requisite period when the ship begins to be used otherwise than for a qualifying purpose;

Status: This is the original version (as it was originally enacted).

and subject to subsections (3) to (10) below, any allowance or charge which, on those assumptions, would fall to be made for any chargeable period in the case of the single ship trade shall be made for that period in the case of the actual trade.

- (3) The shipowner may, by notice given to the inspector not later than two years after the end of a chargeable period for which he has qualifying expenditure in respect of his single ship trade, require the postponement of the whole of the writing-down allowance to be made to him for that period or of so much of it as is specified in the notice.
- (4) Where notice has been given under subsection (3) above in respect of a chargeable period—
- (a) the writing-down allowance which would otherwise have been made to the shipowner for that period in respect of his single ship trade shall not be made or, as the case may be, shall be made only to the extent that the notice does not require it to be postponed; and
 - (b) the amount of any writing-down allowance falling to be made to the shipowner for any subsequent chargeable period of his single ship trade shall be determined as if the writing-down allowance referred to in paragraph (a) above had been made (or, as the case may be, had been made in full) for the chargeable period concerned; and
 - (c) on a claim made by the shipowner, the whole or part of the amount of that allowance or, as the case may be, of so much of it as was not made to him shall be treated as a writing-down allowance to be made to him for any subsequent chargeable period in which his actual trade is carried on (whether or not his single ship trade is treated as carried on in that period),

and, where a claim under paragraph (c) above relates to only part of the amount postponed, a further claim or claims may be made under that paragraph in relation to the balance or any part thereof until the aggregate of the amounts claimed equals the amount postponed.

- (5) A claim under subsection (4)(c) above shall not affect any right of the shipowner to (or the determination of the amount of) any writing-down allowance to which, apart from the claim, he is entitled for the chargeable period to which the claim relates.
- (6) For any chargeable period of the single ship trade for which the amount of a writing-down allowance is reduced by virtue of a requirement—
- (a) in a claim made by virtue of section 24(3), or
 - (b) in a notice under section 24(4),

any reference in subsections (3) to (5) above to the writing-down allowance is a reference to the reduced amount of the allowance, as specified in the claim or notice concerned.

- (7) For any chargeable period of the single ship trade for which the disposal value of the ship falls to be brought into account in accordance with sections 24, 25 and 26, no balancing allowance or balancing charge shall be made to or on the shipowner in respect of that trade but, in such a case—
- (a) if, apart from this subsection, a balancing allowance would have fallen to be made to the shipowner, an amount equal to that allowance shall for the purposes of sections 24, 25 and 26 be added to the shipowner's qualifying expenditure for that period in respect of his actual trade; and
 - (b) if, apart from this subsection, a balancing charge would have fallen to be made on the shipowner, an amount equal to that on which the charge would have

been made shall be brought into account for that chargeable period as an item of disposal value referable to machinery or plant which, in respect of that chargeable period, falls within section 24(6).

- (8) In relation to old expenditure, in any case where subsection (7) above applies by reason of the ship beginning to be used otherwise than for a qualifying purpose—
- (a) any reference in that subsection to sections 24, 25 and 26 shall be construed as a reference to those sections as they have effect in accordance with section 41; and
 - (b) any reference in that subsection to the shipowner's actual trade shall be construed as a reference to the separate trade referred to in section 41(2).
- (9) All such assessments and adjustments of assessments shall be made as may be necessary to give effect to the provisions of this section and sections 32 and 33.
- (10) An allowance which is postponed by virtue of this section shall not by reason of the postponement fall within the references to allowances or amounts carried forward from an earlier year or period in sections 383(5)(d), 388(7) and 403(3) of the principal Act (loss relief and group relief).
- (11) In this section “requisite period”, “qualifying purpose” and “old expenditure” have the same meanings as they have for the purposes of Chapter V of this Part.
- (12) In relation to expenditure incurred before 27th July 1989, subsection (1) shall have effect with the substitution for paragraph (b) of the following paragraph—
- “(b) the expenditure is not such that section 22(4)(c) precludes the making of a first-year allowance in respect of it and is not expenditure falling within section 42(1);”.