



Capital Allowances Act 1990

1990 CHAPTER 1

PART II

MACHINERY AND PLANT

CHAPTER V

LEASED ASSETS AND INEXPENSIVE CARS

39 **Meaning of “qualifying purpose”**

- (1) Machinery or plant on the provision of which a person (“the buyer”) has incurred expenditure is used for a qualifying purpose at any time if at that time any of the conditions specified in subsections (2) to (5) below are satisfied.
- (2) The machinery or plant is leased to a lessee who uses it for the purposes of a trade, otherwise than for leasing, and either—
 - (a) the buyer’s expenditure was old expenditure and, disregarding the words “to which this section applies” in subsection (1) of section 22 and subsections (2) and (3) of that section, a first-year allowance could have been made to the lessee if he had bought the machinery or plant at that time and had incurred capital expenditure in doing so, or
 - (b) the buyer’s expenditure was new expenditure and, had the lessee bought the machinery or plant at that time and had incurred new expenditure in doing so, that expenditure would have fallen to be included, in whole or in part, in the lessee’s qualifying expenditure for any chargeable period for the purposes of section 24(2) to (5).

For the purposes of paragraph (a) above, section 148(5) and (6) shall be disregarded.

- (3) The buyer uses the machinery or plant for short-term leasing.

Status: This is the original version (as it was originally enacted).

- (4) The machinery or plant is leased to a lessee who uses it for short-term leasing and either is resident in the United Kingdom or so uses it in the course of a trade carried on by him there.
- (5) The buyer uses the machinery or plant for the purposes of a trade otherwise than for leasing.
- (6) Without prejudice to subsections (1) to (5) above but subject to subsection (8) below, a ship is also used for a qualifying purpose at any time when it is let on charter in the course of a trade which consists of or includes operating ships if—
 - (a) the person carrying on the trade is resident in the United Kingdom or carries on the trade there, and
 - (b) that person is responsible as principal (or appoints another person to be responsible in his stead) for navigating and managing the ship throughout the period of the charter and for defraying all expenses in connection with the ship throughout that period or substantially all such expenses other than those directly incidental to a particular voyage or to the employment of the ship during that period.
- (7) Subsection (6) above shall with the necessary modifications apply also in relation to aircraft.
- (8) Subsection (6) above does not apply if the main object, or one of the main objects, of the letting of the ship or aircraft on charter, or of a series of transactions of which the letting on charter was one, or of any of the transactions in such a series was to obtain—
 - (a) if the expenditure in question is old expenditure, a first-year allowance, or
 - (b) if the expenditure in question is new expenditure, a writing-down allowance of an amount determined without regard to section 42(2),in respect of expenditure incurred on the provision of the ship or aircraft whether that expenditure was incurred by the person referred to in subsection (6)(a) above or some other person.
- (9) Without prejudice to subsections (1) to (5) above, a transport container is also used for a qualifying purpose at any time when it is leased in the course of a trade which is carried on by a person who is resident in the United Kingdom or who carries on the trade there if—
 - (a) the trade consists of or includes the operation of ships or aircraft and the container is at other times used by that person in connection with the operation of ships or aircraft, or
 - (b) the container is leased under a succession of leases to different persons who, or most of whom, are not connected with each other.
- (10) For any part of the requisite period for which the machinery or plant belongs to a person falling within section 40(5)(a) or (b), that person shall be treated for the purposes of subsections (3) and (5) above as the buyer.