Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 10

LONG-LIFE ASSETS

Long-life asset expenditure

90 Long-life asset expenditure

"Long-life asset expenditure" means qualifying expenditure—

(a) incurred on the provision of a long-life asset for the purposes of a qualifying activity, and

(b) not excluded from being long-life asset expenditure by any of sections 93 to 100.

91 Meaning of "long-life asset"

(1) For the purposes of this Chapter "long-life asset" means plant or machinery which—

(a) if new, can reasonably be expected to have a useful economic life of at least 25 years, and

(b) if not new, could reasonably have been expected when new to have a useful economic life of at least 25 years.

(2) "New" means unused and not second-hand.

(3) The useful economic life of plant or machinery is the period—

(a) beginning when it is first brought into use by any person for any purpose, and

(b) ending when it is no longer used or likely to be used by anyone for any purpose as a fixed asset of a business.

92 Application of Chapter to part of expenditure

(1) If, under any of the following provisions of this Chapter, this Chapter applies to part only of the capital expenditure on plant and machinery—

(a) the part to which this Chapter applies, and

(b) the part to which it does 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.

Expenditure excluded from being long-life asset expenditure

93 Fixtures etc.

(1) Expenditure is not long-life asset expenditure if it is incurred on the provision of plant or machinery which is a fixture in, or is provided for use in, any building used wholly or mainly—

(a) as a dwelling-house, hotel, office, retail shop or showroom, or

(b) for purposes ancillary to the use referred to in paragraph (a).

(2) In this section—

"fixture" has the meaning given by section 173(1);

"retail shop" includes any premises of a similar character where a retail trade or business, including repair work, is carried on.

94 Ships

(1) Expenditure is not long-life asset expenditure if—

(a) it is incurred before 1st January 2011 on the provision of a ship of a sea-going kind, and

(b) each of the conditions in subsection (2) is met.

(2) The conditions are that—

(a) the ship is not an offshore installation,

(b) the ship would not be an offshore installation if the activity for the carrying on of which it is, or is to be, established or maintained were carried on in or under controlled waters, and

(c) the primary use to which ships of the same kind are put by their owners (or, if their use is made available to others, those others) is a use otherwise than for sport or recreation.

(3) "Offshore installation" and "controlled waters" have the same meaning as in the Mineral Workings (Offshore Installations) Act 1971 (c. 61).

95 Railway assets

(1) Expenditure is not long-life asset expenditure if it is incurred before 1st January 2011 on the provision of a railway asset used by any person wholly and exclusively for the purposes of a railway business.

(2) "Railway asset" means—

(a) a locomotive, tram or other vehicle, or a carriage, wagon or other rolling stock designed or adapted for use on a railway;

(b) anything which is, or is to be, comprised in any railway station, railway track or light maintenance depot or any apparatus which is, or is to be, installed in association with such a station, track or depot.

(3) "Railway business" means a business so far as carried on to provide a service to the public for carrying goods or passengers by means of a railway in the United Kingdom or the Channel Tunnel.

(4) For the purposes of subsection (1), a railway asset of a kind described in subsection (2)(a) is not to be treated as used otherwise than wholly and exclusively for the purposes of a railway business merely because it is used to carry goods or passengers—

(a) from places inside the United Kingdom to places outside the United Kingdom, or

(b) from places outside the United Kingdom to places inside the United Kingdom.

(5) In subsections (2) and (3), "railway" has the same meaning as in section 81(2) of the 1993 Act ("railway" includes tramways and other modes of guided transport).

(6) In this section—

"the 1993 Act" means the Railways Act 1993 (c. 43);

"goods" has the same meaning as in Part I of the 1993 Act;

"railway station" and "railway track" include—

(a) anything included in the definitions of "station" and "track" in section 83 of the 1993 Act, and

(b) anything else that would be included if in section 83 "railway" had the meaning given in section 81(2) of the 1993 Act;

"light maintenance depot" means—

(a) any light maintenance depot within the meaning of Part I of the 1993 Act, and

(b) any land or other property which is the equivalent of such a depot in relation to anything which is a railway only when "railway" has the meaning given by section 81(2) of the 1993 Act.

96 Cars

Expenditure is not long-life asset expenditure if it is incurred on the provision of a car (as defined by section 81).

97 Expenditure within the relevant monetary limit: general

Expenditure is not long-life asset expenditure if it is—

(a) expenditure to which the monetary limits apply, and

(b) incurred in a chargeable period for which the relevant monetary limit is not exceeded.

98 Expenditure to which the monetary limits apply

(1) The monetary limits apply to expenditure incurred by an individual for a chargeable period if—

(a) the expenditure was incurred by him for the purposes of a qualifying activity carried on by him,

(b) the whole of his time is substantially devoted in that period to the carrying on of that qualifying activity, and

(c) the expenditure is not within subsection (4).

(2) The monetary limits apply to expenditure incurred by a partnership for a chargeable period if—

(a) all of the members of the partnership are individuals,

(b) the expenditure was incurred by the partnership for the purposes of a qualifying activity carried on by it,

(c) at all times throughout that period at least half the partners for the time being devote the whole or a substantial part of their time to the carrying on of that qualifying activity, and

(d) the expenditure is not within subsection (4).

(3) The monetary limits apply for the purposes of corporation tax to any expenditure incurred by a company for a chargeable period other than expenditure within subsection (4).

(4) Expenditure is within this subsection if it is—

(a) incurred on the provision of a share in plant or machinery,

(b) treated as a result of section 538 (contribution allowances: plant and machinery) as incurred on the provision of plant or machinery, or

(c) incurred on the provision of plant or machinery for leasing (whether or not the leasing is in the course of a trade).

99 The monetary limit

(1) The monetary limit in the case of a chargeable period of 12 months is £100,000.

(2) If, in the case of an individual or partnership, the chargeable period is longer or shorter than 12 months, the monetary limit is the amount given by a proportional increase or reduction of £100,000.

(3) If, in the case of a company, the chargeable period is shorter than 12 months, the monetary limit is the amount given by a proportional reduction of £100,000.

(4) If, in a chargeable period, a company has one or more associated companies, the monetary limit for that period is—

$$\frac{L}{N+1}$$

where—

L is the monetary limit applicable under subsection (1) or (3), and

N is the number of the associated companies.

(5) Section 13(4) and (5) of ICTA (companies which count as associated companies for the purposes of section 13(3)) applies for the purposes of subsection (4).

100 Exceeding the monetary limit

(1) The monetary limit for a chargeable period is exceeded if the total expenditure in that period that meets the conditions in subsection (2) exceeds that limit.

(2) The conditions are that the expenditure—

(a) is long-life asset expenditure, or would be long-life asset expenditure in the absence of section 97 (expenditure within monetary limit), and

(b) is expenditure to which the monetary limits apply.

(3) Subsection (4) applies if, in the case of any contract for the provision of plant or machinery, the capital expenditure which is (or is to be) incurred under the contract is (or may fall to be) treated for the purposes of this Act as incurred in different chargeable periods.

(4) All of the expenditure falling to be incurred under the contract on the provision of the plant or machinery is to be treated for the purposes of this section as incurred in the first chargeable period in which any of the expenditure is incurred.

Rules applying to long-life asset expenditure

101 Long-life asset pool

(1) Long-life asset expenditure to which this section applies, if allocated to a pool, must be allocated to a class pool ("the long-life asset pool").

(2) This section applies to long-life asset expenditure if—

(a) it is incurred on the provision of long-life assets 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.

102 Writing-down allowances at 6%

(1) The amount of the writing-down allowance to which a person is entitled for a chargeable period in respect of expenditure which is long-life asset expenditure is 6% of the amount by which AQE exceeds TDR (see Chapter 5).

(2) Subsection (1) applies even if the long-life asset expenditure is in a single asset pool.

(3) In the case of expenditure which is within section 107(2)(a) and (b) (overseas leasing which is not protected leasing), this section is subject to sections 110, 114 and 115 (allowances prohibited in certain cases etc.).

(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.

Anti-avoidance provisions

103 Later claims

(1) Subsection (2) applies if—

(a) a person entitled to do so has made a Part 2 claim in respect of expenditure incurred on the provision of plant or machinery, and

(b) the expenditure fell to be treated as long-life asset expenditure for the purposes of the claim.

(2) If—

(a) at any time after making the Part 2 claim, that claimant or another person makes a Part 2 claim in respect of any qualifying expenditure incurred at any time (including a time before the incurring of the expenditure to which the earlier claim relates) on the provision of the same plant or machinery, and

(b) the expenditure to which the later claim relates—

(i) would not (but for this subsection) be treated for the purposes of the later claim as long-life asset expenditure, and

(ii) is not prevented from being long-life asset expenditure by any of sections 93 to 96,

this Part has effect in relation to the later claim as if the expenditure to which it relates were long-life asset expenditure.

(3) A person makes a Part 2 claim in respect of any expenditure if he—

(a) makes a tax return in which the expenditure is taken into account in determining his available qualifying expenditure for the purposes of this Part;

(b) gives notice of an amendment of a tax return which provides for the expenditure to be so taken into account;

(c) makes a claim in any other way for the expenditure to be so taken into account.

104 Disposal value of long-life assets

(1) This section applies if—

(a) section 102 (writing-down allowances at 6%) has had effect in relation to any long-life asset expenditure incurred by a person ("the taxpayer"),

(b) any disposal event occurs in relation to the long-life asset,

(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 long-life asset, 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.

(2) The disposal value that the taxpayer must bring into account is the notional written-down value of the long-life asset.

(3) The notional written-down value is—

$$\mathrm{QE} - A$$

where—

QE is the taxpayer's expenditure on the plant or machinery 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 his available qualifying expenditure,

(b) 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.