
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2021, Paragraph 3. (See end of Document for details)

SCHEDULES

SCHEDULE 22

CAPITAL ALLOWANCES FOR FREEPORT TAX SITES

PART 1

FIRST-YEAR ALLOWANCE FOR PLANT AND MACHINERY

3 After section 45N insert—

“45O Expenditure on plant and machinery for use in freeport tax sites

- (1) Expenditure incurred by a company on the provision of plant or machinery is first-year qualifying expenditure if conditions A to E are met.
- (2) Condition A is that the plant or machinery is for use primarily in an area which, at the time the expenditure is incurred, is a freeport tax site.
- (3) Condition B is that the plant or machinery is unused and is not second-hand.
- (4) Condition C is that the expenditure is incurred for the purposes of a qualifying activity within section 15(1)(a) or (f).
- (5) Condition D is that the expenditure is incurred on or before 30 September 2026.
- (6) Condition E is that the company is within the charge to corporation tax.
- (7) This section is subject to—
 - regulations under section 45P,
 - section 45Q (exclusion of plant or machinery partly for use outside freeport tax sites),
 - section 45R (effect of plant or machinery subsequently being primarily for use outside freeport tax sites), and
 - section 46 (general exclusions).

45P Power to amend conditions

- (1) The Treasury may by regulations change the conditions that must be met in order for expenditure to be first-year qualifying expenditure under section 45O (whether by adding, removing or altering conditions).
- (2) Regulations under this section may not remove the requirement for the plant or machinery to be for use primarily in an area which, at the time the expenditure is incurred, is a freeport tax site.
- (3) Regulations under this section may, among other things—

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- (a) make provision by reference to the expenditure, the plant or machinery, the company that incurred the expenditure or a person who is or has been connected with that company;
 - (b) impose conditions relating to accounts or other records;
 - (c) impose other conditions requiring a person to take steps specified in the regulations;
 - (d) make different provision for different purposes;
 - (e) include incidental, supplementary, consequential, transitional or transitory provision.
- (4) Regulations under this section—
- (a) may amend, repeal or otherwise modify section 45O and other provisions of this Part, and
 - (b) where made under subsection (3)(e), may amend, repeal or otherwise modify other provisions of this Act or provisions of another Act.

45Q Exclusion of plant or machinery partly for use outside freeport tax sites

- (1) This section applies if—
- (a) at the time when expenditure on plant or machinery is incurred, the company incurring it intends the plant or machinery to be used partly in an area which is not a freeport tax site, and
 - (b) the main purpose, or one of the main purposes, for which a person is party to the relevant arrangements is the obtaining of a first-year allowance, or a greater first-year allowance, in respect of the part of the expenditure that is attributable to that intended use in an area which is not a freeport tax site (the “non-freeport part” of the expenditure).
- (2) The non-freeport part of the expenditure is not first-year qualifying expenditure under section 45O.
- (3) For the purposes of this section, the non-freeport part of the expenditure is to be determined on a just and reasonable basis.
- (4) In this section, “the relevant arrangements” means—
- (a) the transaction under which the expenditure on the plant or machinery is incurred, and
 - (b) any scheme or arrangements of which that transaction forms part.

45R Effect of plant or machinery subsequently being primarily for use outside freeport tax sites

- (1) Expenditure on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45O if, at any relevant time—
- (a) the primary use to which the plant or machinery is put is other than in an area which, at the time the expenditure was incurred, was a freeport tax site, or
 - (b) the plant or machinery is held for use otherwise than primarily in an area which was a freeport tax site at that time.

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- (2) “Relevant time” means a time within the relevant period when the plant or machinery is owned by—
 - (a) the company that incurred the expenditure, or
 - (b) a person who is, or at any time in that period has been, connected with that company.
- (3) “The relevant period” means the period of 5 years beginning with—
 - (a) the day on which the plant or machinery in question is first brought into use for the purposes of a qualifying activity carried on by the company, or
 - (b) if earlier, the day on which it is first held for such use.
- (4) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).
- (5) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, that person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.
- (6) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.”

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