



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Capital allowances

7 Temporary full expensing etc for expenditure on plant or machinery

- (1) Part 2 of CAA 2001 (plant and machinery allowances) has effect as if the following amendments were made.
- (2) Section 39 (first-year allowances available for certain types of qualifying expenditure only) has effect as if after the entry relating to section 45O there were inserted—

“section 45S	expenditure on plant or machinery in other cases”.
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- (3) Chapter 4 has effect as if after section 45R there were inserted—

“45S Expenditure on plant or machinery in other cases

Expenditure is first-year qualifying expenditure if—

- (a) it is incurred on or after 1 April 2023 but before 1 April 2026,
- (b) it is incurred by a company within the charge to corporation tax,
- (c) it is expenditure on plant or machinery which is unused and not second-hand, and
- (d) it is not excluded by section 45T (exclusion of expenditure under disqualifying arrangements) or 46 (general exclusions).

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Cross Heading: Capital allowances. (See end of Document for details)

45T Exclusion of expenditure incurred under disqualifying arrangements

- (1) Expenditure is not first-year qualifying expenditure under section 45S if the expenditure is incurred directly or indirectly in consequence of, or otherwise in connection with, disqualifying arrangements.
- (2) Arrangements are “disqualifying arrangements” for the purposes of this section if—
 - (a) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage connected with expenditure being first-year qualifying expenditure under section 45S (including securing the advantage by avoiding a balancing charge under section 59A or 59B or reducing the amount or timing of such a charge), and
 - (b) it is reasonable, taking account of all the relevant circumstances—
 - (i) to conclude that the arrangements are, or include steps that are, contrived, abnormal or lacking a genuine commercial purpose, or
 - (ii) to regard the arrangements as circumventing the intended limits of relief under this Act or otherwise exploiting shortcomings in this Act.
- (3) In this section “arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”
- (4) Section 46 (general exclusions) has effect as if—
 - (a) in subsection (1), after the entry relating to section 45O there were inserted—

“ section 45S	expenditure on plant or machinery in other cases”, and
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- (b) after subsection (4) there were inserted—

“(4A) General exclusion 6 does not prevent expenditure being first-year qualifying expenditure under [section 45S](#) if the plant or machinery is provided for leasing under an excluded lease of background plant or machinery for a building.”

- (5) Section 52 (first-year allowances) has effect as if in subsection (3), in the table, at the end there were inserted—

“Expenditure qualifying under section 45S (expenditure on plant or 100% machinery in other cases) which is not special rate expenditure	
Expenditure qualifying under section 45S (expenditure on plant or 50% machinery in other cases) which is special rate expenditure	

- (6) Chapter 5 has effect as if after section 59 there were inserted—

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“Special balancing charge in cases of temporary full expensing etc

59A Disposal of assets where first-year allowance made under section 45S for expenditure which is not special rate expenditure

- (1) This section applies if a first-year allowance has been made to a company in respect of first-year qualifying expenditure under [section 45S](#) which is not special rate expenditure.
- (2) If the company is required to bring a disposal value into account for an accounting period by reference to the plant or machinery on which the expenditure is incurred, the company is liable to a balancing charge for that period (whether or not it is also liable to any other balancing charge for that period).
- (3) The amount of the balancing charge is the relevant proportion of the disposal value; and the relevant proportion is determined by dividing—
 - (a) the amount of the expenditure that was the subject of the allowance, by
 - (b) the total amount of expenditure that has been the subject of that or any other first-year allowance or has been allocated to a pool for that or any other accounting period.
- (4) In relation to the accounting period for which the disposal value is brought into account, TDR (see section 55(1)(b)) for the pool to which the expenditure that was the subject of the allowance was allocated is to be reduced by the amount of the balancing charge.

59B Disposal of assets where first-year allowance made under section 45S for expenditure which is special rate expenditure

- (1) This section applies if a first-year allowance has been made to a company in respect of first-year qualifying expenditure under [section 45S](#) which is special rate expenditure.
- (2) If the company is required to bring a disposal value into account for an accounting period by reference to the plant or machinery on which the expenditure is incurred, the company is liable to a balancing charge for that period (whether or not it is also liable to any other balancing charge for that period).
- (3) The amount of the balancing charge is the relevant proportion of the disposal value; and the relevant proportion is determined by—
 - (a) dividing the amount of the expenditure that was the subject of the allowance by two, and
 - (b) dividing the result of that division by the total amount of expenditure that has been the subject of that or any other first-year allowance or has been allocated to a pool for that or any other accounting period.
- (4) In relation to the accounting period for which the disposal value is brought into account, TDR (see section 55(1)(b)) for the pool to which the expenditure

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that was the subject of the allowance was allocated is to be reduced by the amount of the balancing charge.

59C Sections 59A and 59B: tax avoidance arrangements

- (1) This section applies if arrangements are entered into the main purpose, or one of the main purposes, of which is—
 - (a) to secure that a balancing charge under section 59A or 59B is not chargeable on a company, or
 - (b) to secure a reduction in the amount, or a change in the timing, of a balancing charge under section 59A or 59B which is chargeable on a company.
- (2) Sections 59A and 59B are to have effect as if the arrangements had not been entered into.
- (3) In this section “arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).”

8 Annual investment allowance to remain at £1M beyond temporary period

- (1) The amount of £1,000,000 which is specified in section 51A(5) of CAA 2001 as the maximum allowance in relation to expenditure incurred in the period beginning with 1 January 2019 and ending with 31 March 2023 is to be the amount of the maximum allowance in relation to expenditure incurred on or after 1 April 2023 (as well as in relation to expenditure incurred in that period).
- (2) Accordingly—
 - (a) in section 51A of CAA 2001, for the amount specified in subsection (5) as the maximum allowance (which in the absence of this section would be £200,000 in relation to expenditure incurred on or after 1 April 2023) substitute “£1,000,000”, and
 - (b) the temporary AIA transitional provisions cease to have effect in relation to chargeable periods beginning before 1 April 2023 and ending on or after that date.
- (3) For this purpose “the temporary AIA transitional provisions” means—
 - (a) paragraphs 2 and 3 of Schedule 13 to FA 2019, and
 - (b) section 32 of FA 2019, section 15 of FA 2021 and section 12 of FA 2022 so far as relating to those paragraphs.

9 First-year allowance for expenditure on electric vehicle charge points

In section 45EA of CAA 2001 (expenditure on plant or machinery for electric vehicle charging point), in subsection (3) (the relevant period), in paragraphs (a) and (b), for “2023” substitute “2025”.

Changes to legislation:

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