HM Revenue & Customs

100 per cent first-year capital allowances for gas refuelling equipment

Who is likely to be affected?

Businesses planning to purchase equipment for refuelling vehicles with natural gas, biogas or hydrogen fuel.

General description of the measure

The 100 per cent first-year allowance (FYA) for expenditure incurred on gas refuelling equipment that was due to end on 31 March 2013 will be extended for an additional two years to 31 March 2015.

Policy objective

This allowance is designed to support the development and installation of refuelling infrastructure for motor vehicles powered by natural gas, biogas and hydrogen as part of the process of promoting the wider uptake of such vehicles. The relief also complements the 100 per cent FYA for cars with low carbon dioxide (CO_2) emissions that is being extended to 31 March 2015.

Background to the measure

The availability of 100 per cent FYAs for expenditure incurred on gas refuelling equipment expires on 31 March 2013. The Government announced its intention to extend the availability of this allowance at Budget 2012. There has been no consultation.

Detailed proposal

Operative date

The measure will have effect for expenditure incurred on or after 1 April 2013.

Current law

Business expenditure on plant and machinery normally qualifies for tax relief as capital allowances, which are normally given at the rate of 18 per cent a year on a reducing balance basis. Under section 45E(1)(a) Capital Allowance Act 2001, 100 per cent FYAs are available to businesses that purchase equipment required to refuel natural gas, biogas and hydrogen powered vehicles. The allowance is due to end on 31 March 2013.

Proposed revisions

Legislation will be introduced in Finance Bill 2013 to extend this allowance for two years, to 31 March 2015.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2012-13</td><td>2013-14</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr>
<tr><td>-</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td></tr>
<tr><td colspan="6">This measure is expected to have a negligible impact on the Exchequer. Any impact will be set out at Budget 2013.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="6">Capital allowances can only be claimed on qualifying expenditure incurred by business. Therefore, the extension of the FYA for gas refuelling equipment for a further period, or letting it end, should have no impact on individuals and households.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">The Government does not believe that an extension of the current relief to 2015 will have any adverse impacts on the equality of groups with protected characteristics.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">This measure is expected to have a negligible impact on business.

It has not been possible to determine how many businesses use natural gas, biogas and hydrogen fuelled vehicles. However, as the latest available information suggests that there were only 220 gas refuelled vehicles as at 2010, and the numbers appear to have declined from 540 in 2007, it is expected that very few businesses will be affected.

It is expected that the majority of the businesses who will benefit from the decision to continue the relief, which provides a modest cash flow boost, are concentrated in the transport sector, either haulage or passenger transport. As the rules for claiming the relief have not changed, there should be no new one-off costs associated with the need for businesses to familiarise themselves with a new initiative.

It will not effect civil society organisations who cannot make claims for capital allowances.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="6">This change will not increase HM Revenue & Customs' processing or compliance resource needs.</td></tr>
<tr><td>Other impacts</td><td colspan="6"><u>Small firms impact test:</u> this measure applies to all sizes of business, but in practice it impacts only on those businesses with qualifying plant and machinery expenditure above the level of the annual investment allowance of £250,000. As a result there is expected to be an extremely limited impact on small firms, the vast majority of which incur less than £250,000 per annum on capital expenditure and who are unlikely invest in this technology due to the costs of the equipment, vehicles and lack of a national gas refuelling infrastructure.

Other impacts have been considered and none have been identified.</td></tr>
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Monitoring and evaluation

The measure will be kept under review through communication with the Department for Transport.

Further advice

If you have any questions about this change, please contact Nick Williams on 020 7147 2541 (email: nicholas.williams@hmrc.gsi.gov.uk).

1 Gas refuelling stations: extension of time limit for capital allowance

In section 45E(1)(a) of CAA 2001 (time limit for incurring of expenditure qualifying for first-year allowance) for “2013” substitute “2015”.

EXPLANATORY NOTE

GAS REFUELLING STATIONS: EXTENSION OF TIME LIMIT FOR CAPITAL ALLOWANCES

SUMMARY

1. This clause extends the scheme for 100 per cent first-year allowance (FYA) for expenditure incurred on natural gas, biogas and hydrogen refuelling equipment, which is due to expire on 31 March 2013, for an additional two years to 31 March 2015.

DETAILS OF THE CLAUSE

2. This clause provides for the amendment of section 45E Capital Allowances Act 2001 by substituting "2015" for "2013" in section 45E(1)(a) as the new end date for the allowance.

BACKGROUND NOTE

3. Capital allowances allow the cost of capital assets to be written off against taxable profits. They take the place of depreciation charged in the commercial accounts, which is not allowed for tax. Most businesses are entitled to an annual 100 per cent allowance, the Annual Investment Allowance (AIA), for their investment in most plant or machinery up to an annual limit of £25,000. For expenditure above that limit, writing-down allowances (WDA) are available, which are given at the main rate of eighteen per cent or the special rate of eight per cent per annum.

4. FYAs may be available for expenditure on certain types of plant or machinery as an alternative to AIA and WDA. FYAs, currently available at a rate of 100 per cent, accelerate the rate at which tax relief is available for capital spending and allow a greater proportion of the cost of an investment to qualify for tax relief against a business's taxable profits of the period in which the investment is made.

5. This allowance, which was introduced by the Finance Act 2002, aims to encourage the up-take of natural gas, hydrogen and biogas as fuels for vehicles by providing a tax incentive for businesses to invest in the necessary refuelling infrastructure. It also complements wider measures to encourage the up-take of alternatively fuelled vehicles, including 100 per cent FYAs for cars with low carbon dioxide emissions which is also being extended to 31 March 2015.

6. If you have any questions about this change, or comments on the legislation, please contact Nick Williams on 020 7147 2541 (email: Nicholas.williams@hmrc.gsi.gov.uk).