

**EXPLANATORY NOTE**

**NEW CLAUSE: CONTRIBUTION ALLOWANCES: PLANT AND MACHINERY**

**SUMMARY**

1. This clause makes amendments to capital allowances rules for future pooling of expenditure and claims for allowances. The amendments confirm that contribution allowances under Part 2 are available in relation to a contribution of a capital sum to capital expenditure on the provision of plant or machinery in the recipient's hands. In this case the contributor's capital contribution is treated as capital expenditure on the provision of plant or machinery for use in the contributor's business, and it is the contributor who can claim capital allowances, not the recipient.

**DETAILS OF THE CLAUSE.**

2. Subsections (1)-(3) make amendments to section 538 of Capital Allowances Act 2001 to confirm that contribution allowances under Part 2 are available in relation to a contribution of a capital sum to capital expenditure on the provision of plant or machinery in the recipient's hands, and that in this case the contributor's capital contribution is treated as capital expenditure on the provision of plant or machinery for use in the contributor's business.
3. Subsection (4) provides for the amendments to have effect on or after 29<sup>th</sup> May 2013 in relation to pooling of expenditure (in a computation submitted with a new or amended tax return), and in relation to new capital allowances claims.
4. Subsection (5) provides that for the purposes of determining whether a recipient of a contribution can pool expenditure in tax computations after the commencement date, or can make new capital allowances claims, then the confirmatory amendments are treated as having always had effect for those purposes.
5. Subsection (6) provides that there is no change to the rules applicable to a claim for contributions allowances under Part 2 by a contributor in relation to any contributions made before 29 May 2013.
6. Subsections (7) – (11) require a recipient of a contribution to bring into account in their capital allowances computations (as a disposal receipt) the unrelieved portion of any expenditure already pooled in a computation submitted with a new or amended tax return, if the

expenditure could not be pooled under the capital allowances rules with the confirmatory amendments as provided for by subsections (1)-(3), and either the expenditure was pooled after 1 January 2013 or it was pooled prior to 1 January 2013 but no claim for allowances was made in relation to the expenditure.

**BACKGROUND**

7. The Government announced on 29 May 2013 its intention to introduce legislation to have effect from that date, to protect the Exchequer from a tax risk arising from new capital allowances claims for historic expenditure by some companies.

**DRAFT**