

**1 Plant and machinery allowances: anti-avoidance**

Schedule 1 contains provision about plant and machinery allowances.

## SCHEDULES

## SCHEDULE 1

Section 1

## PLANT AND MACHINERY ALLOWANCES: ANTI-AVOIDANCE

- 1 CAA 2001 is amended as follows.

*Transfer and long funding leaseback: restrictions on lessee’s allowances*

- 2 (1) Section 70DA is amended as follows.

- (2) After subsection (5) insert –

“(5A) D is nil if –

- (a) S is not required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), and
- (b) at any time before that transfer S or a linked person became owner of the plant or machinery without incurring either capital expenditure or qualifying revenue expenditure on its provision.”

- (3) After subsection (8) insert –

“(9) “Linked person”, in relation to plant or machinery, means a person –

- (a) who owned the plant or machinery at any time before the transfer referred to in subsection (1)(a), and
- (b) who was connected with S at any time between –
  - (i) the time when the person became owner of the plant or machinery, and
  - (ii) the time of the transfer referred to in subsection (1)(a).

- (10) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature –

- (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm’s length in the open market, or
- (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.”

- (4) The amendments made by this paragraph have effect in relation to cases where the lease referred to in section 70DA(1)(b) of CAA 2001 is entered into on or after 26 February 2015.

*Restriction on qualifying expenditure on sale, hire purchase (etc) and assignment*

- 3 (1) Section 218 is amended as follows.
- (2) In subsection (1), for “(2) and” substitute “(2), (2A) and”.
- (3) After subsection (2) insert –
- “(2A) D is nil if –
- (a) S is not required to bring a disposal value into account under this Part because of the relevant transaction, and
- (b) at any time before that transaction S or a linked person became owner of the plant or machinery without incurring either capital expenditure or qualifying revenue expenditure on its provision.”
- (4) In subsection (3), for the words from the beginning to “transaction,” substitute “Otherwise,”.
- (5) After that subsection insert –
- “(3A) “Linked person”, in relation to plant or machinery, means a person –
- (a) who owned the plant or machinery at any time before the relevant transaction, and
- (b) who was connected with S at any time between –
- (i) the time when the person became owner of the plant or machinery, and
- (ii) the time of the relevant transaction.
- (3B) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature –
- (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm’s length in the open market, or
- (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.”
- (6) The amendments made by this paragraph have effect in relation to expenditure of B’s that is incurred on or after 26 February 2015.

*Transfer followed by hire-purchase etc: restrictions on hirer’s allowances*

- 4 (1) Section 229A is amended as follows.
- (2) After subsection (5) insert –
- “(5A) D is nil if –
- (a) S is not required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), and
- (b) at any time before that transfer S or a linked person became owner of the plant or machinery without incurring either

capital expenditure or qualifying revenue expenditure on its provision.”

(3) After subsection (9) insert –

- “(10) “Linked person”, in relation to plant or machinery, means a person –
- (a) who owned the plant or machinery at any time before the transfer referred to in subsection (1)(a), and
  - (b) who was connected with S at any time between –
    - (i) the time when the person became owner of the plant or machinery, and
    - (ii) the time of the transfer referred to in subsection (1)(a).

(11) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature –

- (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm’s length in the open market, or
- (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.”

(4) The amendments made by this paragraph have effect in relation to cases where the contract referred to in section 229A(1)(c) of CAA 2001 is entered into on or after 26 February 2015.

*Restriction on qualifying expenditure on sale, hire purchase (etc) and assignment: VAT*

5 (1) Section 242 is amended as follows.

(2) After subsection (4) insert –

- “(4A) D is nil if –
- (a) S is not required to bring a disposal value into account under this Part because of the relevant transaction, and
  - (b) at any time before that transaction S or a linked person became owner of the plant or machinery without incurring either capital expenditure or qualifying revenue expenditure on its provision.”

(3) In subsection (5), for the words from the beginning to “transaction,” substitute “Otherwise,”.

(4) In subsection (6) –

- (a) omit paragraph (a), and
- (b) in paragraph (b), for “the smallest amount under subsection (5)” substitute “subsection (5) applies and the smallest amount under that subsection”.

(5) After that subsection insert –

- “(7) “Linked person”, in relation to plant or machinery, means a person –
- (a) who owned the plant or machinery at any time before the relevant transaction, and

- (b) who was connected with S at any time between –
    - (i) the time when the person became owner of the plant or machinery, and
    - (ii) the time of the relevant transaction.
- (8) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature –
  - (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm’s length in the open market, or
  - (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.”
- (6) The amendments made by this paragraph have effect in relation to expenditure of B’s that is incurred on or after 26 February 2015.