

Clause 1 and Schedule 1: Structures and buildings allowances: miscellaneous amendments

Summary

1. This clause and Schedule make miscellaneous amendments to Part 2A, Capital Allowances Act 2001 (CAA 2001).

Details of the clause and Schedule

2. Clause 1 introduces Schedule 1.

Schedule 1

3. Paragraph 1 introduces amendments to CAA 2001.
4. Paragraph 2 replaces section 270EC CAA 2001 with new section 270EC.
5. Subparagraph (1) provides that section 270EC applies when there is a sale of a relevant interest from one person to another.
6. Subparagraph (2) provides that structures and buildings allowances are reduced by the person's entitlement to research and development allowances under Part 6 CAA 2001, for the same structure or building.
7. Subparagraph (3) provides that a further restriction to structures and buildings allowances applies at any time after a person, who was entitled to research and development allowances, sells their relevant interest in the structure or building. The restriction applies when the purchaser pays an amount less than the total remaining structures and buildings allowances available at the time of sale.
8. Subparagraphs (4) and (5) provide that the total structures and buildings allowances available collectively to all purchasers following a sale within subparagraph (3) is restricted to the lowest amount paid on such a sale.
9. Subparagraph (6) explains the term "ordinary Part 2A amount", which is the total remaining structures and buildings allowances available. This is defined as the qualifying expenditure for which an entitlement arises less the total allowances that could have been claimed to the date the relevant interest was sold.
10. Subparagraph (7) explains the meaning of allowances arising under Part 2A.
11. Subparagraph (8) gives the meaning of a "Part 6 allowance".
12. Paragraph 3 amends section 538A CAA 2001 (contributions: buildings and

structures).

13. Subparagraph (2) replaces section 538A(3)(b) with new subsection (3)(b), which enables a person to claim an allowance for a contribution to expenditure incurred by a public body. The contributor may claim an allowance when the public body brings the asset into qualifying use, or non-residential use if earlier.
14. Subparagraph (3) replaces subsection 538A(4) with new subsection (4). The new subsection (4) clarifies that it only applies to a person making a contribution towards qualifying expenditure for a structure or building in which they have no relevant interest. Subsection (4) treats that person as holding a relevant interest solely for the purposes of calculating any structures or buildings allowances which may be due to the contributor.
15. Subparagraph (4) inserts new subsection 538A(7), which provides that any insignificant use of the structure or building is ignored for the purposes of calculating allowances for the contributor.
16. Paragraph 4 amends section 270AA(2)(b)(i) CAA 2001 to ensure that an allowance is available for the day that a structure or building first comes into qualifying use. Before this amendment the first day of use was not included. This amendment prevents businesses from missing out on the allowance for that day.
17. Paragraph 5 amends section 270BB(2)(a) CAA 2001 so that expenditure incurred on different days after a building comes into non-residential use may be added together into a single claim for a specified date. This amendment reduces the number of separate calculations that need to be made for a given structure or building. Before this amendment the easement was only available where the building was in qualifying use and therefore was not available to civil society organisations or other bodies not chargeable to tax.
18. Paragraph 6 amends section 270BL(1) CAA 2001 to clarify that expenditure incurred for which an allowance can be made and other expenditure is to be apportioned on a just and reasonable basis.
19. Paragraph 7 amends section 270IA(4)(a) CAA 2001 so that the date of an oral contract can be included in an allowance statement. An allowance statement records the date of the first construction contract as well as identifies the building or structure to which it relates, the amount of qualifying expenditure and the date of the first use of the structure or building. This amendment enables persons with an oral contract to be able to comply with the allowance statement requirement, without which a claim cannot be made.
20. Paragraph 8 provides for the new section 270EC to have effect for any sale of the relevant interest that takes place on or after 11 March 2020.
21. Paragraph 9 provides for paragraph 3 to have effect in relation to contributions made on or after 11 March 2020.
22. Paragraph 10 provides that the amendments made in paragraphs 4 to 7 are deemed always to have had effect because they are wholly relieving or are minor amendments, which clarify the operation of the original provisions.

Background note

23. Structures and Buildings Allowances are a new capital allowance available for the cost of constructing, renovating or converting structures or buildings for non-residential use. The allowances are only for non-residential structures and buildings where all the contracts for construction works were entered into on or after 29 October 2018.
24. This clause and Schedule make miscellaneous amendments to ensure various rules operate as intended. The amendments ensure that Part 2A, CAA2001:
 - a. prevents double relief when research and development allowances were available
 - b. clarifies the rules for allowances on contributions to public bodies
 - c. allows relief for the first day that a structure or building comes into use
 - d. apportions expenditure for which an allowance can be made and other expenditure on a just and reasonable basis
 - e. extends aggregation of expenditure to simplify allowance calculations for persons not within the charge to tax
 - f. includes oral construction contracts within the allowance statement.
25. The amendments made by this clause and Schedule have effect as detailed in paragraphs 8 to 10 of the Schedule.