

## Amendment 2 to Clause 9: Super-deductions and other temporary first-year allowances

### Summary

1. This amendment to Clause 9 of the Finance Bill will enable background plant and machinery in leased buildings to qualify for a super-deduction or an SR allowance.

### Details of the amendment

2. Amendment 2 inserts new subsection (8A) into Clause 9 of the Finance Bill.
3. New subsection (8A) ensures that property lessors are not prohibited by the general exclusion on plant and machinery for leasing from claiming the super-deduction and SR allowance in respect of expenditure on background plant or machinery for a building (as defined in section 70R of the Capital Allowances Act 2001).

### Background note

4. As announced at Spring Budget 2021, to stimulate investment in the economy temporary capital allowances were introduced. These provide an increased incentive to invest in plant and machinery through generous rates of relief in the period the expenditure is incurred.
5. These reliefs are only available for companies within the charge to Corporation Tax. Unincorporated businesses can claim the full cost of expenditure through the Annual Investment Allowance, up to the relevant limit.
6. Capital allowances allow the cost of capital assets to be written down against a business's taxable profits. They are available in place of commercial depreciation provided for in commercial accounts. The main rate of writing down allowance for main rate plant and machinery is 18% a year on a reducing balance basis. The special rate of capital allowances, which applies to certain spending on plant and machinery including integral features, long-life assets, thermal insulation, is 6% a year on a reducing balance basis.
7. The super-deduction is a 130% first-year allowance for qualifying plant and machinery expenditure which would ordinarily be relieved at the main rate writing down allowance at 18%. The 50% special rate first-year allowance provides relief for qualifying expenditure that would ordinarily be relieved at the special rate writing down allowance.
8. There are exclusions to these reliefs, which include expenditure on cars, second-hand assets, connected party transactions (as per existing legislation for first-year allowances in Chapter 17, Part 2 CAA 2001) and expenditure on assets for leasing.

9. This amendment will enable background plant and machinery in leased buildings to qualify for a super-deduction or an SR allowance which would otherwise have been prevented from qualifying by the exclusion of expenditure on assets for leasing.