

CHAPTER 2 Machinery or plant: initial allowances, wear and tear allowances, balancing allowances and balancing charges

Initial allowances. ITA67 s251(1), (4)(bb)(ii) and (d), (6) and (7); FA73 s9(2) (apart from the proviso); CTA76 s 21(1) and Sch1 par15 and par61; FA88 s43(b), s51(1)(a) and (cc) (proviso thereto), (2)(a), (c) and (d) and (6); FA89 s13; FA90 s73(a) and (b), s80, s81(1)(a) and (2)(a) and (b); FA93 s33; FA95 s27; FA96 s43 283.—(1) In this section—

“industrial development agency” means the Industrial Development Authority, Shannon Free Airport Development Company Limited or Údarás na Gaeltachta;

“new” means unused and not secondhand, but a ship shall be deemed to be new even if it has been used or is secondhand.

(2) Subject to the Tax Acts, where—

(a) a person carrying on a trade, the profits or gains of which are chargeable under Case I of Schedule D, incurs capital expenditure on the provision for the purposes of the trade of new machinery or new plant, other than vehicles suitable for the conveyance by road of persons or goods or the haulage by road of other vehicles,

(b) that machinery or plant is machinery or plant to which subsection (4) or (5) applies, and

(c) that machinery or plant while used for the purposes of that trade is wholly and exclusively so used,

there shall be made to such person for the chargeable period related to the expenditure an allowance (in this Chapter referred to as an “initial allowance”).

(3) An initial allowance shall be of an amount equal to—

(a) in the case of machinery or plant to which subsection (4) applies, 100 per cent of the capital expenditure mentioned in subsection (2), or

(b) in the case of machinery or plant to which subsection (5) applies, 50 per cent of the capital expenditure mentioned in subsection (2).

(4) This subsection shall apply to—

(a) machinery or plant provided—

(i) before the 23rd day of April, 1996, for use for the purposes of trading operations, or

(ii) on or after the 23rd day of April, 1996, by a company for use for the purposes of trading

operations carried on by the company,

which are relevant trading operations within the meaning of section 445 or 446 but, in relation to capital expenditure incurred on the provision of machinery or plant on or after the 6th day of May, 1993, excluding machinery or plant provided by a lessor to a lessee other than in the course of the carrying on by the lessor of those relevant trading operations, and

(b) machinery or plant provided for the purposes of a project approved by an industrial development agency in the period from the 1st day of January, 1986, to the 31st day of December, 1988, and in respect of the provision of which expenditure was incurred before the 31st day of December, 1996.

(5) This subsection shall apply to machinery or plant provided for the purposes of a project approved for grant assistance by an industrial development agency in the period from the 1st day of January, 1989, to the 31st day of December, 1990, and in respect of the provision of which expenditure is incurred before the 31st day of December, 1997; but, as respects machinery or plant provided for the purposes of any such project specified in the list referred to in section 133 (8)(c)(iv), this subsection shall apply as if the reference to the 31st day of December, 1997, were a reference to the 31st day of December, 2002.

(6) Where an initial allowance in respect of capital expenditure incurred on or after the 1st day of April, 1989, on the provision of machinery or plant, other than machinery or plant to which subsection (4) applies, is made under this section for any chargeable period—

(a) no allowance for wear and tear of that machinery or plant shall be made under section 284 for that chargeable period, and

(b) an allowance for wear and tear of that machinery or plant which is to be made under section 284 for any chargeable period subsequent to that chargeable period shall not be increased under section 285.

(7) Any initial allowance under this section made to a person for any chargeable period in respect of machinery or plant shall not exceed such sum as will, when added to—

(a) the amount of any allowance in respect of the machinery or plant made to the person under section 284 for that chargeable period, and

(b) the aggregate amount of any allowances made to the person in respect of the machinery or plant under this section and section 284 for earlier chargeable periods,

equal the amount of the expenditure incurred by such person on the provision of the machinery or plant.