

Wear and tear allowances. ITA67 s241(1)(a) and (b) and proviso to (1), (6), (6A), (10) and (11); CTA76 s21(1) and Sch1 par6; FA92 s26(4); FA96 s132(1) and Sch5 Ptl par1(12)(a); FA97 s22 and s146(1) and Sch9 Ptl par1(16) 284.—(1) Subject to the Tax Acts, where a person carrying on a trade in any chargeable period has incurred capital expenditure on the provision of machinery or plant for the purposes of the trade, an allowance (in this Chapter referred to as a “wear and tear allowance”) shall be made to such person for that chargeable period on account of the wear and tear of any of the machinery or plant which belongs to such person and is in use for the purposes of the trade at the end of that chargeable period or its basis period and which, while used for the purposes of the trade, is wholly and exclusively so used.

(2) (a) Subject to subsection (4), the amount of the wear and tear allowance to be made shall be an amount equal to—

(i) in the case of machinery or plant, other than machinery or plant of the type referred to in subparagraph (ii), 15 per cent of the actual cost of the machinery or plant, including in that actual cost any expenditure in the nature of capital expenditure on the machinery or plant by means of renewal, improvement or reinstatement, or

(ii) in the case of machinery or plant which consists of a vehicle suitable for the conveyance by road of persons or goods or the haulage by road of other vehicles, 20 per cent of the value of that machinery or plant at the commencement of the chargeable period.

(b) Where a chargeable period or its basis period consists of a period less than one year in length, the wear and tear allowance shall not exceed such portion of the amount specified in subparagraph (i) or (ii) of paragraph (a), as the case may be, as bears to that amount the same proportion as the length of the chargeable period or its basis period bears to a period of one year.

(3) For the purposes of subsection (2)(a)(ii), the value at the commencement of the chargeable period of the machinery or plant shall be taken to be the actual cost to the person of such machinery or plant reduced by the total of any wear and tear allowances made to that person in relation to the machinery or plant for previous chargeable periods.

(4) No wear and tear allowance or repayment on account of any such allowance shall be made for any chargeable period if such allowance, when added to—

(a) the allowances on that account, and

(b) any initial allowances in relation to the machinery or plant under section 283,

made for any previous chargeable periods to the person by whom the trade is carried on, will make the aggregate amount of the allowances exceed the actual cost to that person of the machinery or plant, including in that actual cost any expenditure in the nature of capital expenditure on the machinery or plant by means of renewal, improvement or reinstatement.

(5) No wear and tear allowance shall be made under this section in respect of capital expenditure incurred on the construction of a building or structure which is or is deemed to be an industrial building or structure within the meaning of section 268.

(6) Subject to subsection (7), this section shall, with any necessary modifications, apply in relation to the letting of any premises the profits or gains from which are chargeable under Chapter 8 of Part 4 as it applies in relation to trades.

(7) Where by virtue of subsection (6) this section applies to the letting of any premises, it shall apply as respects the year of assessment 1997-98 and subsequent years of assessment in respect of capital expenditure incurred on the provision of machinery or plant within the meaning of subsection (2)(a)(i) where—

(a) such expenditure is incurred wholly and exclusively in respect of a house used solely as a dwelling which is or is to be let as a furnished house, and

(b) that furnished house is provided for renting or letting on bona fide commercial terms in the open market.