

## Chapter 2 Capital goods scheme

Interpretation and application. VATA s. 12E(1), (2) and (3)(b)

63.—(1) In this Chapter—

“adjustment period”, in relation to a capital good, means the period encompassing the number of intervals as provided for in section 64 (1)(a) during which adjustments of deductions are required to be made in respect of a capital good;

“base tax amount”, in relation to a capital good, means the amount calculated by dividing the total tax incurred in relation to that capital good by the number of intervals in the adjustment period applicable to that capital good;

“capital goods owner” means—

(a) unless paragraph (b) applies, a taxable person who incurs expenditure on the acquisition or development of a capital good,

(b) in the case of a taxable person who is a flat-rate farmer, a taxable person who incurs expenditure to develop or acquire a capital good other than a building or structure designed and used solely for the purposes of a farming business or for fencing, drainage or reclamation of land, and which has actually been put to use in such business;

“deductible supplies or activities” has the meaning assigned to it by section 61;

“initial interval”—

(a) in relation to a capital good, unless paragraph (b) applies, means a period of 12 months beginning on the date when that capital good is completed,

(b) in relation to a capital good that is supplied following completion, means, for the recipient of that supply, a period of 12 months beginning on the date of that supply;

“initial interval proportion of deductible use”, in relation to a capital good, means the proportion that correctly reflects the extent to which a capital good is used during the initial interval for the purposes of a capital goods owner’s deductible supplies or activities;

“interval”, in relation to a capital good, means the initial, second or subsequent interval in an adjustment period, whichever is appropriate;

“interval deductible amount”, in relation to a capital good in respect of the second and each subsequent interval, means the amount calculated by multiplying the base tax amount in relation to that capital good by

the proportion of deductible use for that capital good applicable to the relevant interval;

“non-deductible amount”, in relation to a capital good, means the amount which is the difference between the total tax incurred in relation to that capital good and the total reviewed deductible amount in relation to that capital good;

“proportion of deductible use”, in relation to a capital good for an interval other than the initial interval, means the proportion that correctly reflects the extent to which a capital good is used during that interval for the purposes of a capital goods owner’s deductible supplies or activities;

“reference deduction amount”, in relation to a capital good, means the amount calculated by dividing the total reviewed deductible amount in relation to that capital good by the number of intervals in the adjustment period applicable to that capital good;

“refurbishment” means development on a previously completed building, structure or engineering work;

“second interval”, in relation to a capital good, means the period beginning on the day following the end of the initial interval in the adjustment period applicable to that capital good and ending on the final day of the accounting year during which the second interval begins;

“subsequent interval”, in relation to a capital good, means each accounting year of a capital goods owner in the adjustment period applicable to that capital good, which follows the second interval;

“total reviewed deductible amount”, in relation to a capital good, means the amount calculated by multiplying the total tax incurred in relation to that capital good by the initial interval proportion of deductible use in relation to that capital good;

“total tax incurred”, in relation to a capital good, means—

(a) the amount of tax charged to a capital goods owner in respect of that owner’s acquisition or development of a capital good,

(b) in the case of a transferee where a transfer of ownership of a capital good to which section 20 (2)(c) applies—

(i) where such a transfer would have been a supply but for the application of section 20 (2)(c) and that supply would have been exempt in accordance with section 94 (2) or 95 (3) or (7)(b), the total tax incurred that is required to be included in the copy of the capital good record that is required to be furnished by the transferor in accordance with section 64 (10)(c), and

(ii) where such a transfer is not one to which subparagraph (i) applies, the amount of tax that would have been chargeable on that transfer but for the application of section 20 (2)(c) and section 56,

and

(c) the amount of tax that would have been chargeable but for the application of section 56 to a capital goods owner on the owner's acquisition or development of a capital good.

(2) This Chapter applies to capital goods—

(a) on the supply or development of which tax was chargeable to a taxable person who carries on a business in the State, or

(b) on the supply of which tax would have been chargeable to a taxable person who carries on a business in the State but for the application of section 20 (2)(c).