HMRC - OT21242 - First-Year Allowances For A Ring Fence Trade: Plant And Machinery

CAA2001\S45F

The conditions for expenditure to be first-year qualifying expenditure are set out in CAA2001\S45F(1). It must be -

incurred on or after 17 April 2002

incurred by a company

incurred on the provision of plant or machinery for use wholly for the purposes of a ring fence trade (OT21245)

not be excluded by CAA01\S46 (general exclusions).

There are eight exclusions in CAA01\S46(2) (see CA23110 ). These prevent first-year allowances being given for certain expenditure. The two most likely exclusions to be met in ring fence trades are expenditure on ships and plant or machinery for leasing. The definition of ships (CAA2001\S94) excludes offshore installations, this term is likely to include most Floating, Production Storage and Offloading Vessels (FPSO’s). FPSO’s may therefore qualify for first-year allowance at 100%.

First-year allowances were generally not due on decommissioning expenditure, because such expenditure is not on the provision of plant or machinery. However, most decommissioning expenditure incurred on or after 12 March 2008 will qualify for the 100% special allowance available under CAA2001\S164 as FA2008\S108 disapplied the CAA2001\S163(3) requirement that decommissioning expenditure should be in connection with an abandonment programme.

Ring fence first-year allowances are restricted to trades subject to the supplementary charge (CAA2001\S45F(3)). So, for example, leasing trades will not be eligible for these first-year allowances.

Long Life Assets

The 100% rate for first-year allowances applies to all qualifying expenditure incurred on or after 12 March 2008 as FA2008\S108 disapplied the long life asset regime in respect of capital expenditure on plant and machinery used wholly in a ring fence trade.

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