HMRC - OT21246 - First-Year Allowances For A Ring Fence Trade: Withdrawal Of Plant And Machinery Allowances

CAA2001\S45G(1)

CAA2001\S45G(1) provides that the ring fence first-year allowances can be withdrawn if the plant or machinery concerned is either

at no time in the relevant period used in a ring fence trade, or

at any time in the relevant period used for a purpose other than that of a ring fence trade.

The relevant period is defined in CAA2001\S45G(2) to be

five years from the date the expenditure in question was incurred or, if less

the period ending when the asset is sold outside the group.

The ending of the relevant period before the five year point when an asset is sold outside the group removes the problems which would otherwise be faced in tracking assets through changes of ownership. This removes the need to cover the possibility of first-year allowance adjustments in asset sale agreements.

CAA2001\S45G should be read so that references to asset include references to so much of the company’s original share in an asset as at any time remains within the group. This is the same as in CAA2001\S45F (see OT21045).

CAA2001\S45G(3) provides for assessments to be made or adjusted to give effect to the withdrawal of allowances and CAA2001\S45G(4) and CAA2001\S45G(5) require the person who has made the Return to notify the Revenue within three months of becoming aware that the Return has become incorrect.

The TMA70\S98 penalty provisions apply if a company fails to inform HMRC that its return is incorrect because first-year allowances are no longer due as the plant or machinery has not been used in a ring fence trade for the relevant period.

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