Accelerated wear and tear allowances for gas vehicles and refuelling equipment

Part 09-02-06

This document should be read in conjunction with section 285C of the Taxes Consolidation Act 1997

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Introduction

Finance Act 2018 introduced a new incentive for certain types of gas vehicles and refuelling equipment used for business purposes. The incentive is provided for under section 285C of the Taxes Consolidation Act (TCA) 1997. An accelerated wear and tear allowance of 100% of the capital expenditure incurred, during the relevant period, on such vehicles and equipment can be claimed for the year in which the vehicles or equipment are first provided and used in the business. Ordinary passenger cars are excluded from qualifying for the accelerated allowance. However, taxis, hackneys and cars used for short term hire to the public may qualify.

1. Capital allowances

Capital allowances in the form of wear and tear allowances will be available where the provisions of section 284 of the TCA, 1997 are met as follows:

- A person carrying on a trade must incur capital expenditure on the provision of machinery or plant for the purposes of that trade;
- The machinery or plant must belong to that person;
- The machinery or plant must be in use at the end of the chargeable period for which the allowances are claimed;
- While the machinery or plant is used for the purposes of the trade, it must be wholly and exclusively so used.

Wear and tear allowances for machinery or plant are generally given over an eight-year period at an annual rate of 12.5% of the capital expenditure incurred. In the case of qualifying gas vehicles and refuelling equipment, this rate is accelerated and the entire allowance can be claimed in the first year in which the vehicle or refuelling equipment is provided and used for the person's trade. The accelerated allowance cannot be claimed where relief is claimed under either section 285A(2) (Acceleration of wear and tear allowances for certain energy efficient equipment) or section 286(2) (Increased wear and tear allowances for taxis and cars for short-term hire) of the TCA 1997.

The normal rules regarding balancing charges in section 288 of the TCA, 1997 apply. Where certain 'balancing' events occur, for example, the sale of the vehicle or equipment or its ceasing to be used for the purposes of the trade, there may be a claw-back of the allowances already granted having regard to the proceeds or value of the vehicle or equipment (or deemed proceeds/value) at the time of the event.

2. Who can qualify for the incentive?

The accelerated wear and tear allowance is available to a person (company, sole trader etc.) who incurs qualifying expenditure on gas vehicles or refuelling equipment for business purposes.

3. Qualifying expenditure

Qualifying expenditure is capital expenditure incurred during the relevant period on the provision of qualifying refuelling equipment or qualifying vehicles.

4. Relevant period

The relevant period runs from 1 January 2019 to 31 December 2021. Only expenditure incurred during this period can qualify for the accelerated wear and tear allowance.

5. Qualifying vehicles

For the purposes of this incentive a gas vehicle is a road vehicle which runs on compressed natural gas, liquefied natural gas or biogas. To qualify it must be constructed (or adapted) for carrying goods or passengers. Ordinary passenger cars are excluded from the scheme[1]. However, taxis, hackneys and cars used for short term hire to the public may qualify for the accelerated wear and tear allowance provided relief is not claimed for the same expenditure under either section 285A or 286 TCA 1997. The vehicle must also be new. Expenditure on second-hand gas vehicles does not qualify for the accelerated wear and tear allowance.

6. Qualifying refuelling equipment

Refuelling equipment comprises of tanks for the storage of compressed natural gas, liquefied natural gas or biogas, compressors, pumps, controls or meters used for refuelling gas vehicles and equipment used for supplying fuel to the tanks of gas vehicles.

To qualify for the accelerated allowance the refuelling equipment must be new. Expenditure on second-hand refuelling equipment does not qualify. The equipment must also be installed at a gas refuelling station. A gas refuelling station could be part of the premises of, for example, a haulage company where the company's gas vehicles are refuelled. It could also be part of the premises of a commercial service (petrol) station.

7. How relief is claimed

There is no requirement to obtain approval for expenditure on the gas vehicle or refuelling equipment. The normal self-assessment provisions apply. Once all the required conditions are met, the allowance can be claimed for the chargeable period in which the vehicle or equipment was first provided and used for the trade. The allowance should be claimed on the person's return of income (Form CT1 or Form 11) and should be included along with any other wear and tear allowances for machinery and plant. A separate line will be available on both the Form CT1 and Form 11 for 2019 onwards for claims made under section 285C.

[1] Ordinary passenger cars are generally subject to the emissions based regime in Part 11C TCA 1997.