EXPLANATORY MEMORANDUM TO

THE CAPITAL ALLOWANCES (DESIGNATED ASSISTED AREAS) ORDER 2014

2014 No. 3183

1. This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

This Order formally designates those assisted areas within an enterprise zone ("EZ") in which expenditure incurred on plant and machinery may qualify for 100 per cent first-year capital allowances, known as Enhanced Capital Allowances (ECAs).

3. Matters of special interest to the Select Committee on Statutory Instruments

None.

4. Legislative Context

4.1 This Order is made under sections 45K(2)(a), (3) and (4) Capital Allowances Act 2001 ("CAA 2001"). This is the first Order to be made under these powers.

4.2 Schedule 11 to Finance Act 2012 introduced new sections 45K to 45N into CAA 2001 and provided for 100 per cent ECAs for companies investing in plant or machinery for use primarily in designated assisted areas within EZs. This Order is required to formally designate those assisted areas in which expenditure may qualify for relief.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The government announced at Budget 2011 that it would introduce EZs which would feature a number of benefits for business, including simplified planning rules and business rate discounts. The Government also announced it would introduce ECAs for

expenditure on plant and machinery in certain designated areas within EZs. These measures were enacted in Finance Act 2012.

7.2 100 per cent ECAs are designed to encourage investment by capital intensive companies in designated areas within EZs. To qualify for the relief, the expenditure must be incurred in the period from when an area is treated as being a designated assisted area to 31 March 2020, when the relief is designed to end.

7.3 Because ECAs are targeted at certain areas, they are a regional State aid and have been designed to comply with the European Commission's General Block Exemption Regulation, ***EC Regulation No 800/2008*** ("GBER"). This means that EZs must fall within assisted areas for the purposes of the **Assisted Areas Order 2007 SI 2007/107.**

7.4 In order to identify those areas within the assisted areas that should be included in the scheme, the Treasury wrote to Local Enterprise Partnerships in England (these are voluntary partnerships between local authorities and business) and the devolved administrations in Northern Ireland, Scotland and Wales outlining the scheme and the criteria against which applications for inclusion would be considered. Those areas that successfully applied for inclusion in the scheme are:

England

Able Marine Energy Park
Paull
Green Port Hull
Queen Elizabeth Dock South
Neptune Yard
Port of Blyth (Bates)
Port of Blyth (East Sleekburn)
North Bank of the Tyne (Port of Tyne)
New Energy and Technology Park
Hartlepool Port Estates

Scotland

Low Carbon - Renewables East Enterprise Area: Dundee Port, Dundee Camperdown, Dundee Claverhouse
Low Carbon - Renewables North Enterprise Area: Nigg
Life Sciences Enterprise Area: Irvine

Wales

Deeside Enterprise Zone
Ebbw Vale Enterprise Zone
Haven Waterway Enterprise Zone

Maps delineating these areas can be found at
https://www.gov.uk/government/publications/enterprise-zones

7.5 At Budget 2014, the Government announced that ECAs would also be made available within a pilot Enterprise Zone being established by the Northern Ireland Executive at Coleraine, Co. Londonderry. The Executive continue to work towards delineating their pilot Enterprise Zone, and a separate Order will be required to designate the area in which 100% ECAs will be made available at a later date.

8. Consultation outcome

The qualifying EZ sites have been designated on merit following a bidding process based on proposals submitted by local enterprise partnerships in England and the devolved administrations.

9. Guidance

Guidance will be updated as appropriate. Precise details of the designated assisted areas are available from HM Treasury.

10. Impact

10.1 ECAs in Enterprise Zones support business growth by offering an incentive for businesses to carry out major investments. This order simply clarifies in legislation the areas where ECAs are available.

10.2 The impact on charities or voluntary bodies is expected to be negligible.

10.3 No impact on the public sector is foreseen.

10.4 A Tax Information and Note covering this instrument was published on 6 December 2011 and is available on the HMRC website at http://www.hmrc.gov.uk/tiin/tiin690.pdf. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

The legislation only applies to companies.

12. Monitoring & review

The measure will be monitored and assessed alongside other measures in the Government's package for EZs.

13. Contact

Nick Williams at HM Revenue & Customs (tel: 03000 585660; e-mail: nicholas.williams@hmrc.gsi.gov.uk) can answer any queries about the instrument.