

A-Z
of
Plant & Machinery

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A15 Aqueducts

Aqueducts are included in list B at s. 22. As such, they are excluded from the definition of plant and machinery and no allowances are due.

HMRC guidance confirms that plant and machinery allowances will not be given “on the provision, construction or acquisition” of such assets.

Law: CAA 2001, s. 22 (list B, item 1)

Guidance: CA 22020

A16 Architraves

The term “architrave” is typically used to denote the framework around a door or window. In the *Wetherspoon* case, it was argued that these items should qualify as plant or machinery, on the grounds that they were removable and therefore not part of the premises. This argument was clearly rejected by the Upper Tier Tribunal, as follows:

“Having been shown photographs of each of the items in issue, we consider it fanciful to suppose that any of them could be regarded as having retained their separate identities; separate that is from the ceilings, walls and balustrades of which they each form part. Since those ceilings, walls and balustrades are all clearly part of the premises, so are the cornices, architraves and balustrade end-fittings. We cannot, in short, imagine how any legal analysis of the nature of plant, as opposed to premises, could lead to a conclusion that those items were plant.”

Case: *J D Wetherspoon v HMRC* [2012] UKUT 42 (TCC)

A17 Artex

The claim for the cost of “artex” and other wall finishes was rejected by the commissioners in *Wimpy* and this view was upheld in the High Court and then by all three judges in the Court of Appeal. Fox LJ commented as follows:

“This is a proprietary decorative finish for interior wall surfaces. The commissioners, rejecting the contention that

artex expenditure was on plant, said that it was no more than a suitable surface applied to the walls and to enable the premises to be used and kept clean. It was a necessary part of the setting and not apparatus used in trade. The commissioners must, it seems to me, have taken the view that the artex is part of the premises. I see no reason to disagree with that.”

Fox LJ went on to add:

“There was expenditure on plaster, paint, varnish and other wall finishes. All of it was incurred to put the premises, including the staff area, into decorative order for use. The commissioners rejected the claim that it was expenditure on plant. I agree with Hoffmann J, that the items were in the same position as the artex claim and were rightly held not to be plant.”

Case: *Wimpy International Ltd. v Warland* [1989] BTC 58

A18 Automatic monitoring and targeting (AMT) equipment

Such equipment will qualify for plant and machinery allowances in all normal circumstances. In some cases, it will attract 100 per cent first-year allowances under the scheme for **Enhanced capital allowances** (ECAs).

According to the official ECAs guidance:

“AMT equipment can be portable or fixed (systems). Both types monitor how much energy a site is using, identifying any areas where it’s being wasted. This helps companies introduce energy-saving measures in the areas where they will provide the most benefit.

The equipment also helps ensure these measures have the desired long-term effect.”

Two categories of product are covered, as below. In each case, the descriptive wording is taken from the official ECA site.

Automatic monitoring and targeting systems

“Automatic Monitoring & Targeting systems are products that are specifically designed to measure energy consumption, record and distribute metered energy data, and analyse and report on energy consumption.”

Portable energy monitoring equipment

“Portable energy monitoring equipment covers products that are specifically designed to temporarily measure energy use in different locations, and to record, analyse and report on energy consumption.”

Investments in these systems will only attract ECAs if the complete installation meets the specified eligibility criteria; individual components or products used in the system are not named on the energy technology list.

Law: SI 2001/2541, art. 3(2)(i)

Guidance: <https://www.gov.uk/energy-technology-list>

B1 Balustrades

In the *Wetherspoon* case, it was held by the Upper Tier Tribunal that balustrades (and their associated end fittings) were “clearly part of the premises” and not plant.

Case: *J D Wetherspoon v HMRC* [2012] UKUT 42 (TCC)

B2 Barriers

Many properties have a low barrier around the outside, especially to offer protection where cars would otherwise be able to drive right up to the building itself.

The treatment of these barriers is not clear cut. They are not buildings, but the question of whether or not they are structures is more difficult. Case law suggests that **Structures** must be of a certain degree of size and permanence, and it is arguable that these barriers lack that quality – compared, for example, to roads, dams, docks and other items included at list B at s. 22.

The HMRC view is that fences are always fixed structures, and they may seek to argue that barriers should be treated in the same way.

On the other hand, the author is aware of a case in which HMRC have conceded (albeit on a “without prejudice” basis as part of an overall settlement covering a variety of items) that gallop rails on a race course might be allowed.

If it can be argued that there is no statutory bar on treating the barrier as plant, the next stage is to look at case law principles, asking whether the barrier functions as part of the premises or setting within which the trade is carried on, or whether it functions as part of the apparatus used to carry on the trade. HMRC would probably argue for the former, but the matter is not entirely clear cut.

Law: CAA 2001, s. 22

B3 Baths

Baths are included in list C at CAA 2001, s. 23. They will normally fall clearly within the definition of plant and machinery, attracting allowances at the standard rate. HMRC guidance specifically states that baths should be accepted as plant.

Law: CAA 2001, s. 23 (list C, item 5)

Guidance: CA 21200

B4 Batteries and battery chargers

Battery chargers are clearly plant if used in normal circumstances.

Batteries themselves will qualify as long as they have a shelf life of at least two years. (If they do not, the cost should probably not be capitalised but will normally be allowable as a revenue deduction.) In the *B & E Security Systems* case, the cost of a power supply and back-up batteries was allowed as part of the qualifying expenditure. Back-up units for emergency lighting would also qualify.

Case: *B & E Security Systems Ltd v HMRC* [2010] UKFTT 146 (TC)

B5 Bicycle holders

Bicycle holders were included in the list of items “which would normally qualify as plant or machinery” in the Revenue’s Football League letter of January 1991 (see **Appendix 2**). That predated the legislation now at s. 21 and 22 and so it would be necessary to show

that the bicycle holder was not incorporated in the building or of a kind normally incorporated in a building.

Law: CAA 2001, s. 21, 22

Guidance: CA 21230

B6 Bicycles

Bicycles used for transport purposes, as well as exercise bikes in a sports facility, should clearly qualify as plant or machinery in normal circumstances.

B7 Blinds

Blinds will normally qualify as plant, in much the same way as **Curtains** will, as long as they are being used for the purposes of a qualifying activity. This is obviously subject to the restriction for plant used in a **Dwelling house**.

In *Cole Bros*, Oliver LJ made the following observation in the Court of Appeal:

“I would have thought that the blinds fitted to shop windows to protect the goods displayed there from excessive sunlight were as much ‘plant’ as the heating system which prevents them from freezing.”

In *Cadogan Gardens*, blinds in a hotel were accepted as plant.

As regards blinds used as part of refrigerated display units, see **Refrigerators and refrigeration equipment**.

Cases: *Lupton v Cadogan Gardens Developments Limited* (1971) 47 TC 1; *Cole Bros Ltd v Phillips* (1981) 55 TC 188 (Court of Appeal)

B8 Boilers

A boiler used as part of a central heating system or for the provision of hot water will in principle clearly qualify as plant or machinery.

The HMRC view is that a boiler is an integral feature, attracting allowances at the lower “special rate”. This is on the basis that the boiler forms part of “a space or water heating system, a powered system of ventilation, air cooling or air purification ...”.

The author's view is that the question of whether a boiler is an integral feature or standard plant and machinery is not entirely clear cut, for the reasons discussed under **Lifts** below. Nevertheless, the HMRC view will almost certainly prevail, at least until there is a test case.

Enhanced capital allowances

Boiler equipment is one of the categories in the "energy technology list" that may qualify for **Enhanced capital allowances**, where the necessary conditions are met.

The following categories of equipment are *or have historically been* specified for the purposes of claiming ECAs. In each case, investments in these devices will only attract ECAs if the specific product is named on the energy technology product list, having satisfied the eligibility criteria. The descriptions in inverted commas are in each case copied or condensed from the official ECAs guidance:

Automatic boiler blowdown control equipment

This category was removed from the qualifying list from 7 August 2013, so expenditure incurred since that date will not qualify for enhanced allowances.

Biomass boilers

This category was known as "biomass boilers and roomheaters" until 2016. The following explanation is included in the energy technology criteria list:

"Biomass boilers are products that are specifically designed to burn solid biomass fuels in order to heat water."

The heat produced by these boilers is transferred, by means of radiation and convection, to the surrounding area within a building. They may also heat water for space heating and domestic uses by means of a heat exchanger incorporated into the product.

Burners with controls

“Burner controls improve the efficiency of boilers and minimise emissions by optimising the firing range. It’s important to maintain this process at a very precise level and traditional mechanical methods are not considered accurate enough.”

Combustion trim controls

This category was removed from the qualifying list from 2 August 2012, so expenditure incurred since that date will not qualify for enhanced allowances.

Condensate pumping equipment

This category was removed from the qualifying list from 7 August 2013, so expenditure incurred since that date will not qualify for enhanced allowances.

Condensing economisers

“These recover sensible and latent heat from boiler flue gases and ensure fuel is used in the most efficient and economic way. Any heat that is recovered can then be used to provide low-grade thermal energy to heat the rest of the site.”

Condensing economisers are thus a type of heat exchanger. This heat is normally used to preheat the boiler’s feedwater and to supply low grade heating requirements.

Flue gas economisers

“These are heat exchangers designed to recover sensible heat from boiler flue gases.”

Once more, the heat is normally used to preheat the boiler’s feedwater. The technology is said to work best in systems with a low return water temperature, where the overall efficiency of the system can be increased by up to 6%.

Gas-fired condensing water heaters

“Gas-fired condensing water heaters are products that are specifically designed to continuously provide hot water either by the direct heating of water as it passes through the product, or the heating of water contained in an integral storage vessel.”

“Gas-fired condensing water heaters are used to provide hot water for domestic purposes or process heating, and offer an energy efficient method of generating hot water. They can be installed close to the point of use, or in a central plant room.

Gas-fired condensing water heaters are described as ‘storage’ type products if they generate hot water by heating water stored within the product itself.”

Heat recovery from condensate and boiler blowdown

“Steam boilers need to be blown down to control the level of total dissolved solids. The water discharged from this process contains useful heat that can be recovered and used to pre-heat the boiler’s feed water.

Recovering heat in this way increases the overall efficiency of the system.”

Heating management controllers for wet heating systems

These were formerly known as “Optimising controllers for wet heating systems”.

“These controllers reduce the amount of energy a boiler uses by ensuring that the firing and heating are distributed in a way that closely matches demand. They are available as stand-alone units that can be added to existing systems, or as modules that can be integrated into a new boiler design.”

Hot water boilers

The guidance in the energy technology criteria list states that “hot water boilers are products that are specifically designed to heat water by means of a heat exchanger that transfers heat

from combustion into the water as it passes through the product.”

Localised rapid steam generators

“These generators are a useful way of generating small amounts of steam for local process heating. Used to replace old, inefficient centralised steam boilers and distribution systems, they use far less energy.”

Retrofit burner control systems

“Burner controls maintain the quality of combustion over the boiler’s complete firing range, optimising efficiency and minimising emissions.

Precise and repeatable control is essential, but traditional mechanical methods are not considered accurate enough to provide this. However, the necessary precision can be achieved by retrofitting microprocessor-based controls.”

Sequence controls

This category was removed from the qualifying list from 2 August 2012, so expenditure incurred since that date will not qualify for enhanced allowances.

Steam boilers

“Steam boilers are usually found on larger sites or industrial premises. Eligible steam boilers have net efficiencies of at least 89%. As with hot water boilers, it’s important to make them as efficient as possible.”

Law: CAA 2001, s. 23, 33A(5)(c); SI 2001/2541, art. 3(2)(a)

Guidance: <https://www.gov.uk/energy-technology-list>; R&C Brief 03/10

B9 Bollards

Many businesses will incur expenditure on bollards (indoors or out), whether to offer a form of protection against crime or accident, or perhaps as part of a system of channelling people who are standing in queues.

Indoor bollards will typically (but not invariably) be moveable. These would seem to qualify as plant and machinery without any problem. They are equipment used for the purposes of the business activity and are not fixed structures.

The treatment of fixed bollards, usually outside a building, may be more problematic.

Retractable bollards – and telescopic posts – would probably constitute **Machinery** (according to the wide HMRC definition discussed under that heading), and would therefore seem to qualify without too much difficulty.

The question of whether fixed, heavy duty, “ram raid” bollards (typically made of cast iron and/or steel) would qualify is less straightforward. These may obviously serve a business purpose – deterrence, counter-terrorism, demarcation, or whatever it may be – but these items may be thought to constitute a **Structure** (the definition of which is considered under that heading). If such items are not mechanical, and if it has to be conceded that they are indeed fixed structures, there would appear to be nothing in list C at s. 23 that could allow them to qualify as plant. However, it may reasonably be argued that a bollard is too small, and insufficiently complex, to constitute a structure.

Law: CAA 2001, s. 22

B10 Books

Books that are bought for genuine business purposes will qualify as plant unless a revenue deduction can be claimed for the cost.

Early case law ruled that books were *not* plant but this decision was overruled in the *Munby v Furlong* case, in which two judges gave a clear ruling on the point. Sir John Pennycuick worded it as follows:

“[Plant] seems to me quite plainly to cover books purchased by a barrister for the purpose of his profession. Those books do indeed represent apparatus used by him for carrying on his profession, and that to my mind is the end of the case.”

And Lord Denning gave a longer explanation:

“I do not think ‘plant’ should be confined to things which are used physically. It seems to me that on principle it extends to