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 vehicle or equipment is first 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.

Finance Act 2021 extended the scheme to 31 December 2024 and provided that capital expenditure incurred on or after 1 January 2022 on hydrogen vehicles and related refuelling equipment can qualify for the accelerated wear and tear allowance. As a consequence of including hydrogen vehicles in the scheme, a number of definitions in section 285C were amended e.g. a “gas vehicle” is now referred to as a “gas-powered vehicle”.

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 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 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 clawback 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-powered 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 2024. 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-powered vehicle is a road vehicle which runs on compressed natural gas, liquefied natural gas, biogas or hydrogen[1]. To qualify it must be constructed (or adapted) for carrying goods or passengers. Ordinary passenger cars are excluded from the scheme[2]. 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-powered 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, biogas or hydrogen, a pre-cooling device used for cooling hydrogen, compressors, pumps, controls or meters used for refuelling gas-powered vehicles and equipment used for supplying fuel to the tanks of such 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-powered vehicles are refuelled. It could also be part of the premises of a commercial service (petrol) station.

[1] Capital expenditure incurred on or after 1 January 2022 on hydrogen vehicles and related refuelling equipment qualifies for the accelerated allowance.

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

7 How relief is claimed

There is no requirement to obtain approval for expenditure on the gas-powered 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 is first used for the purposes of 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 field is available on both the Form CT1 and Form 11 for claims made under section 285C for 2019 onwards.