

DATA SHEET WHAT IS PLANT AND MACHINERY

Examples of plant and machinery can be found in every commercial building, including factories, offices, shops and hotels. Mechanical and electrical systems, lifts, toilets and carpets are just a few examples that many people would see as an integral part of the buildings in which they are located. For tax purposes, the primary distinction is that the cost of these items is tax deductible; the cost of the remainder of the building is generally not, unless it is used for a limited range of specified purposes like manufacturing or a qualifying hotel, but even then most building allowances will no longer be available from April 2011.

Whilst the term 'machinery' is usually given its ordinary meaning, there is still no definition of the term 'plant' to be found in the legislation. The law simply states that buildings and structures cannot be plant and lists those assets included within this term. It then removes from the general exclusion some 32 items included in List C to Section 23 of the Capital Allowances Act 2001. In addition, Section 33A provides a list of four items that are categorised as 'integral features' and these items are deemed to be machinery or plant without reference to List C.

It is important to understand that inclusion of an item in List C does not mean that an item is machinery or plant; it still has to qualify as plant by reference to case law. The original definition of 'plant' can be found in the decision in the case of *Yarmouth -v- France* in 1887, where 'plant' was described as 'apparatus used for carrying on business'. The current interpretation of the law is based on the decision in the 1987 case of *Wimpy International Ltd -v- Warland*. It was held that there were three tests to be considered in deciding whether an item was plant:

- Is the item stock in trade?
- Is the item the business premises, or part of the business premises (the premises test)?
- Is the item used for carrying on the business (the business-use test)?

The premises test

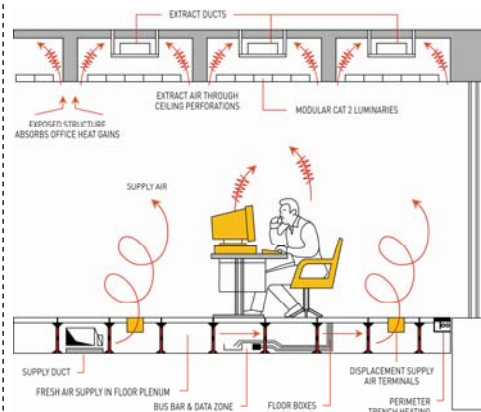
Something that is part of the premises cannot, with few exceptions, also be plant. In *Wimpy International Ltd -v- Warland*, Hoffman J. suggested four general factors to be considered in deciding whether an item is part of the premises:

- Does the item appear visually to retain a separate identity?
- With what degree of permanence has it been attached to the building?
- To what extent is the structure complete without it?
- To what extent is it intended to be permanent, or alternatively it is likely to be replaced within a short period?

These are questions of fact and degree that will turn on the circumstances in each individual case.

Spot the plant!

Which items shown in this typical cross section of a modern office building do you think qualify as plant? (see below for solution).



Spot the plant! - typical office solution

All of the items labelled in the drawing qualify for Capital Allowances, with the exception of the exposed structure.

More examples of items than can qualify as plant and machinery

Whilst all of the following may qualify for Capital Allowances (with the exception of integral features, which are deemed to be plant and therefore, always qualify), the facts of each case have to be considered individually. Some items will only qualify by reference to the type of business in which they are used, whereas others will only qualify because of an interaction with other items that are plant or machinery.

The list below should never be used as a basis for submitting a claim without specialist advice or reference to what the Courts have termed the 'business-use' and the 'premises' tests:

Access control systems	Kennels
Acoustic treatment	Kitchen equipment
Advertising hoardings	Lockers
Aerials	Mechanical door closers
Air conditioning and ventilation systems	Mezzanine floors
Amusement park rides	Mirrors
Aquarium tanks	Murals
Artwork	Passenger lifts
Baths	Pictures
Battery chargers	Pipework
Bicycle holders	Plenum ceilings
Blinds	Plenum floors
Boilers	Pumps
Bowling alleys	Racking
Building management systems	Radiators
Burglar alarms	Railway tracks
Calorifiers	Refrigerators
Carpets	Safes
CCTV	Saunas and spa pools
Central heating	Sculptures
Chillers	Seating
Cold stores	Sewerage pumps
Cold water services	Showers
Computers	Signs
Compressed air systems	Silos
Counters	Smoke detectors
Crane gantries	Soap dispensers
Dance floors	Solar shading
Demountable partitions	Sprinklers
Dock levellers	Statues
Document hoists	Strong rooms
Drinking fountains	Swimming pools
Dry risers	Telephone systems
Ductwork	Toilets
Electrical systems (inc. lighting)	Towel rails
Escalators	Traffic lights
Fans	Turnstiles
Fire alarms	Turntables
Fire extinguishers	TV installations
Fire protection systems	UPS systems
Fuel/water tanks	Valves
Furniture	Vanity units
Generators	Ventilated facades
Glasshouses	Wash hand basins
Goods lifts	Waste disposal systems
Hand driers	Water heaters
Hoists	Water softeners
Hose reels	Weighbridges
Hot water services	Window cleaning equip.
Incinerators	Zoo cages

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