Rates of annual allowances relating to ships purchased prior to 1st January 1990

Annual allowances on ships may be computed on either the "straight line" or the "reducing balance" method as the taxpayer may elect, by notice in writing, given to the Administrator, together with a return of income submitted in the form and manner required by the Law.

1. In the case of new ships –

(a) Where the straight line method is to be used:

(i) New ships without refrigerating plant:

Sailing Vessels	3¾%
Steamers and Motor Vessels	5%
Tankers	6¼%

(ii) New Steamers and Motor Vessels with refrigerating plant:

Where the cost of refrigeration in relation to the whole cost of the ship including its refrigerating plant and insulation is:

Less than 1%	5%
1% but less than 10%	5¼%
10% but less than 20%	5½%
20% but less than 30%	6%
30% but less than 40%	6¼%

(b) Where the reducing balance method is to be used:

(i) New ships without refrigerating plant:

Sailing Ships	9½%
Steamers and Motor Vessels	12½%
Tankers	15%

(ii) New Steamers and Motor Vessels with refrigerating plant:

Where the cost of refrigeration in relation to the whole cost of the ship including its refrigerating plant and insulation is:

Less than 1%	12½%
1% but less than 10%	13%
10% but less than 20%	13¾%
20% but less than 30%	14%
30% but less than 40%	15%

2. In the case of second hand ships:

(a) Where the straight line method is to be used and except as provided in the succeeding paragraph (b) a fraction of the cost to the claimant computed according to the following table:

Age at date of purchase		**Fraction of costs to be written off annually**	
Over	Under	Ships other than Tankers	Tankers
0	1	5/96	5/76
1	2	5/92	5/72
2	3	5/88	5/68
3	4	5/84	5/64
4	5	5/80	5/60
5	6	5/76	5/56
6	7	5/72	5/52
7	8	5/68	5/48
8	9	5/64	5/44
9	10	5/60	5/40
10	11	5/56	5/36
11	12	5/52	5/32
12	13	5/48	5/32
13	14	5/44	5/32
14	18	5/40	5/28
18	19	5/36	5/28
19	21	5/32	5/24
21	23	5/28	5/24
23	24	5/24	5/24
24	25	5/24	5/24
25	26	5/24	5/20
26	28	5/20	5/20
28	30	5/16	5/16

Where the ship is over 30 years at the date of purchase the rate is to be determined according to the facts of the case.

(b) On a change from the reducing balance method to the straight line method:

(i) a fraction of the true written down value at the time of change determined by reference to the table in the preceding sub-paragraph (a) after substituting "age at the end of the basis period for year of charge" for "age at the date of purchase", or

(ii) 5/4 of such rate as would be necessary to reduce the true written down value so that at the expiration of the anticipated normal working life it will be equal to 10% of the original cost to the claimant; for this purpose the anticipated normal working life shall be the anticipated normal working life as determined at the date of acquisition.

(c) Where the reducing balance method is to be used the same rate as that specified in paragraph 1(b) in respect of new ships provided that on a change from the straight line method to the reducing balance method this rate shall be applied by reference to the written down value.

"True written down value" means the written down value computed by reference to the normal annual allowances but without regard to any initial allowances which may be granted.

<u>Annual Allowances from 1st January 1990</u>

on the “straight line” basis	6½% per annum
on the “reducing balance” basis	20% per annum

There will be no facility for switching from one basis to the other.

For expenditure incurred prior to 1st January 1990 the “old” rules will continue to apply.