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Tax Faculty – Newsletter 3/2017

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Capital allowances on IT development and software

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The Income Tax Act 2010 provides in Schedule 3 that capital allowances are given in respect of capital expenditure on computer equipment. “Computer equipment” is defined in Schedule 3 of the Act as:

“any device for electronically storing and processing information, including –

- (a) equipment peripheral to the operation of such a computer; and
- (b) any software used on such a computer”

The Acting Commissioner of Income Tax has confirmed that the above definition includes expenditure by a company on the development of IT systems. For the avoidance of doubt, it would not include expenditure for which a deduction is already given as an expense.
