Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 9

SHORT-LIFE ASSETS

83 Meaning of "short-life asset"

Plant or machinery in respect of which qualifying expenditure has been incurred is a short-life asset if—

(a) its treatment as a short-life asset is not ruled out by section 84, and

(b) the person incurring the expenditure elects for the plant or machinery to be treated as a short-life asset.

84 Cases in which short-life asset treatment is ruled out

Treatment of plant or machinery as a short-life asset is ruled out in any of the cases listed in column 1 of the Table, unless an exception listed in column 2 applies.

Table

SHORT-LIFE ASSET TREATMENT

1. Short-life asset treatment ruled out	*2. Exception (if any)*
1. The expenditure is treated as incurred for the purposes of a qualifying activity under—	

1. Short-life asset treatment ruled out	*2. Exception (if any)*
(a) section 13 (use for qualifying activity of plant or machinery provided for other purposes), or (b) section 14 (use for qualifying activity of plant or machinery which is a gift).	
2. The plant or machinery is the subject of special leasing (as defined by section 19).	
3. The plant or machinery is a car (as defined by section 81).	The car is within section 82(4) (cars hired out to persons receiving disability allowances etc.).
4. The expenditure is long-life asset expenditure (see Chapter 10).	
5. The plant or machinery is provided for leasing.	The plant or machinery is a car which is within section 82(4) (cars hired out to persons receiving disability allowances etc.). The plant or machinery will be used within the designated period (as defined by section 106) for a qualifying purpose (as defined by sections 122 to 125).
6. Section 109 provides only a 10% writing-down allowance in respect of expenditure on the plant or machinery.	
7. The plant or machinery is leased to two or more persons jointly in circumstances such that section 116 applies.	
8. The plant or machinery is a ship.	
9. The expenditure was incurred partly for the purposes of a qualifying activity and partly for other purposes (see Chapter 15).	
10. The expenditure is required to be allocated to a single asset pool under section 211 (partial depreciation subsidy).	

85 Election for short-life asset treatment: procedure

(1) An election under section 83 must specify—

(a) the plant or machinery which is the subject of the election,

(b) the qualifying expenditure incurred in respect of it, and

(c) the date on which the expenditure was incurred.

(2) An election under section 83 must be made by notice given to the Inland Revenue—

(a) for income tax purposes, on or before the normal time limit for amending a tax return for the tax year in which the relevant chargeable period ends;

(b) for corporation tax purposes, no later than 2 years after the end of the relevant chargeable period.

(3) "The relevant chargeable period" means—

(a) the chargeable period in which the qualifying expenditure was incurred, or

(b) if the qualifying expenditure was incurred in different chargeable periods, the first chargeable period in which any of the qualifying expenditure was incurred.

(4) An election under section 83 is irrevocable.

(5) All such assessments and adjustments of assessments are to be made as are necessary to give effect to the election.

86 Short-life asset pool

(1) Qualifying expenditure in respect of a short-life asset, if allocated to a pool, must be allocated to a single asset pool (a "short-life asset pool").

(2) If the final chargeable period for the short-life asset pool has not occurred before the four-year cut-off—

(a) the pool ends at the four-year cut-off without a final chargeable period,

(b) the available qualifying expenditure in the pool is allocated to the main pool for the first chargeable period ending after the four-year cut-off, and

(c) the asset ceases to be a short-life asset.

(3) In this Chapter "the four-year cut-off" means the fourth anniversary of the end of—

(a) the chargeable period in which the qualifying expenditure was incurred on the provision of the short-life asset, or

(b) if the qualifying expenditure was incurred in different chargeable periods, the first chargeable period in which any of the qualifying expenditure was incurred.

(4) For the purposes of subsection (2), the final chargeable period occurs before the four-year cut-off only if it ends on or before it.

87 Short-life assets provided for leasing

(1) This section applies if—

(a) plant or machinery is a short-life asset on the basis that it has been provided for leasing but will be used within the designated period for a qualifying purpose (see item 5 of the Table in section 84),

(b) in a chargeable period ending on or before the four-year cut-off, the short-life asset begins to be used otherwise than for a qualifying purpose, and

(c) the time when it begins to be so used falls within the first 4 years of the designated period.

(2) If this section applies—

(a) the short-life asset pool ends without a final chargeable period,

(b) the available qualifying expenditure in the pool is allocated to the main pool for the chargeable period in which the asset begins to be used otherwise than for a qualifying purpose, and

(c) the asset ceases to be a short-life asset.

88 Sales at under-value

If—

(a) a short-life asset is disposed of at less than market value,

(b) the disposal is not one in respect of which an election is made under section 89(6), and

(c) there is no charge to tax under Schedule E,

the disposal value to be brought into account for the purposes of Chapter 5 is the market value of the asset.

89 Disposal to connected person

(1) This section applies if, at any time before the four-year cut-off, a person ("the transferor") disposes of a short-life asset to a connected person.

(2) Subject to subsection (6)—

(a) the transferor is to be treated as having sold the short-life asset to the connected person for an amount equal to the available qualifying expenditure in the short-life asset pool for the chargeable period in which the disposal occurs, and

(b) the connected person is to be treated as having incurred qualifying expenditure of the same amount in buying the short-life asset.

(3) Subject to subsection (6)—

(a) sections 217 and 218 (restrictions on first-year and other allowances in the case of certain transactions between connected persons, to obtain a tax advantage etc.), and

(b) sections 222 to 225 (further restrictions in the case of sale and finance leaseback),

do not apply to the disposal.

(4) Immediately after the disposal of the short-life asset, the connected person is to be taken to have made an election under section 83 (so that the plant or machinery is a short-life asset in his hands).

(5) In relation to the connected person, "the four-year cut-off" means the date that would have been the four-year cut-off in relation to the transferor.

(6) Subsections (2) and (3) apply in relation to a disposal only if—

(a) the transferor, and

(b) the connected person,

elect that they should apply.

(7) An election under subsection (6) must be made by notice given to the Inland Revenue no later than 2 years after the end of the chargeable period in which the disposal occurred.