Capital Allowances Act 2001

2001 CHAPTER 2

PART 9

DREDGING ALLOWANCES

Qualifying expenditure on dredging, etc.

484 Dredging allowances

(1) Allowances are available under this Part if a person carries on a qualifying trade and qualifying expenditure has been incurred on dredging.

(2) In this Part "qualifying trade" means a trade or undertaking the whole or part of which—

(a) consists of the maintenance or improvement of the navigation of a harbour, estuary or waterway, or

(b) is of a kind listed in Table A or B in section 274 (meaning of qualifying trade for purposes of industrial buildings allowances).

[F1(2A) If a company or partnership is as a result of section 6D (NI rate activity treated as separate trade) treated for the purpose of this Act as carrying on two separate trades, each of them is for the purposes of this Part to be treated as a qualifying trade if the separate trades would together be so treated.]

(3) "Dredging" does not include anything done otherwise than in the interests of navigation.

(4) Subject to subsection (3), "dredging" includes—

(a) the removal of anything forming part of, or projecting from the bed of, the sea or any inland water—

(i) by whatever means it is removed, and

(ii) even if, at the time of removal, it is wholly or partly above water, and

(b) the widening of an inland waterway.

Textual Amendments

F1 S. 484(2A) inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), **Sch. 1 para. 16**

485 Qualifying expenditure

(1) Expenditure on dredging is qualifying expenditure if—

(a) it is capital expenditure,

(b) it is incurred for the purposes of a qualifying trade by the person carrying on the trade, and

(c) if the person does not carry on a qualifying trade within section 484(2)(a), the dredging is for the benefit of vessels coming to, leaving or using a dock or other premises occupied by the person for the purposes of the qualifying trade.

(2) If capital expenditure is incurred—

(a) partly for the purposes of a qualifying trade, and

(b) partly for other purposes,

the qualifying expenditure is the part of the capital expenditure that, on a just and reasonable apportionment, is referable to the purposes of the qualifying trade.

(3) If part only of a trade or undertaking is within section 484(2), subsection (2) of this section applies as if—

(a) the part which is within section 484(2), and

(b) the part which is not,

were separate trades.

486 Pre-trading expenditure of qualifying trades, etc.

(1) If a person incurs capital expenditure with a view to carrying on a trade or a part of a trade, this Part applies as if the expenditure were incurred by the person on the first day on which the trade or part of the trade is carried on.

(2) If a person incurs capital expenditure—

(a) in connection with a dock or other premises, and

(b) with a view to occupying the dock or premises for the purposes of a qualifying trade which is not a qualifying trade within section 484(2)(a),

this Part applies as if the expenditure were incurred by the person when he first occupies the dock or premises for the purposes of the qualifying trade.

Writing-down and balancing allowances

487 Writing-down allowances

(1) A person is entitled to a writing-down allowance for a chargeable period if—

(a) qualifying expenditure has been incurred on dredging,

(b) at any time during the chargeable period, the person is carrying on the qualifying trade for the purposes of which the qualifying expenditure was incurred, and

(c) that time falls within the writing-down period.

(2) The writing-down period, in relation to qualifying expenditure incurred by a person, is 25 years beginning with the first day of the chargeable period of that person in which the qualifying expenditure was incurred.

(3) The amount of the writing-down allowance is 4% of the qualifying expenditure.

(4) The allowance is proportionately increased or reduced if the chargeable period is more or less than a year.

(5) The total amount of any writing-down allowances made in respect of any qualifying expenditure, whether to the same or different persons, must not exceed the amount of the expenditure.

(6) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.

(7) A person is not entitled to a writing-down allowance for the chargeable period in which a balancing allowance is made to him in respect of the qualifying expenditure.

488 Balancing allowances

(1) A person is entitled to a balancing allowance for a chargeable period if—

(a) qualifying expenditure has been incurred on dredging,

(b) in that chargeable period, the qualifying trade for the purposes of which the expenditure was incurred has been—

(i) permanently discontinued, or

(ii) sold,

(c) the person is the last person carrying on the qualifying trade before its discontinuance or sale, and

(d) the amount of the expenditure exceeds the amount of the allowances previously made in respect of it, whether to the same or different persons.

(2) The amount of the balancing allowance is the amount of the difference.

(3) For the purposes of subsection (1)—

(a) the permanent discontinuance of a trade does not include an event treated as a permanent discontinuance under **[**[F2]**[**[F3]section 577(2A) of this Act or section 18 of ITTOIA 2005**]** (effect of company ceasing to trade etc.)**]**, and

(b) a sale does not include a sale which is within subsection (4) or (5).

(4) A sale is within this subsection if any of the following conditions is met—

(a) the buyer is a body of persons over whom the seller has control;

(b) the seller is a body of persons over whom the buyer has control;

(c) both the seller and the buyer are bodies of persons and another person has control over both of them;

(d) the seller and the buyer are connected persons.

In this subsection "body of persons" includes a partnership.

(5) A sale is within this subsection if it appears that the sole or main benefit which might be expected to accrue to the parties, or any of them, from—

(a) the sale, or

(b) transactions of which the sale is one,

is the obtaining of a tax advantage under any of the provisions of this Act apart from Part 2 (plant and machinery allowances).

Textual Amendments

F2 Words in s. 488(3)(a) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5) , s. 883(1) , **Sch. 1 para. 568** (with Sch. 2)

F3 Words in s. 488(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 514** (with Sch. 2 Pts. 1, 2)

Giving effect to allowances

489 Giving effect to allowances

[[F4](1)**]** An allowance to which a person is entitled under this Part is to be given effect in calculating the profits of that person's trade, by treating the allowance as an expense of the trade.

[[F5](2) This section is subject to section 6E (giving effect to allowances and charges: NI rate activity cases).**]**

Textual Amendments

F4 S. 489 renumbered as s. 489(1) (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), **Sch. 1 para. 17(2)**

F5 S. 489(2) inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), **Sch. 1 para. 17(3)**

Changes to legislation:
There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 9.