
Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: *Qualifying expenditure: second-hand assets.* (See end of Document for details)

SCHEDULES

SCHEDULE 3

TRANSITIONALS AND SAVINGS

PART 7

MINERAL EXTRACTION ALLOWANCES

Qualifying expenditure: second-hand assets

Claims before 26th November 1996 in respect of acquisition of mineral asset owned by previous trader

85 Section 407(4) does not apply in relation to claims made before 26th November 1996.

Acquisition of oil licence from non-trader before 13th September 1995

86 Section 408 does not apply to acquisitions occurring before 13th September 1995.

Restrictions on qualifying expenditure in case of UK oil licence and certain other assets inapplicable for expenditure pre-16th July 1985

- 87 (1) The sections listed in sub-paragraph (2) do not apply if—
- (a) asset X is a mineral asset situated in the United Kingdom, and
 - (b) the capital expenditure incurred by the buyer consists of the payment of sums under a contract entered into by him before 16th July 1985.
- (2) The sections are—
- (a) section 407 (acquisition of mineral asset owned by previous trader),
 - (b) section 410 (UK oil licence: qualifying expenditure limited by reference to original licence payment), and
 - (c) section 411 (assets generally: qualifying expenditure limited by reference to previous trader's unrelieved qualifying expenditure).
- (3) Sections 407 and 411 apply, in relation to a case where asset X is a mineral asset situated in the United Kingdom, as if the references to an earlier owner of the asset did not include a person who has not owned the asset at any time after 31st March 1986.
- (4) In the case of a mineral asset which consists of or includes an interest in or right over mineral deposits or land, the asset is not to be regarded for the purposes of this paragraph as situated in the United Kingdom unless the deposits or land are or is so situated.

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- (5) Expressions used in this paragraph and Chapter 4 of Part 5 have the same meaning in this paragraph as they have in that Chapter.

Expenditure incurred pre-1st April 1986

- 88 (1) Part 5 of this Act does not apply in relation to expenditure incurred before 1st April 1986 (“old expenditure”) except as provided by the following provisions of this paragraph.

- (2) Sections 401 and 402 apply to old expenditure if—
- (a) that expenditure was incurred on mineral exploration and access,
 - (b) immediately before 1st April 1986, no allowance had been made under Chapter III of Part I of CAA 1968 in respect of it, and
 - (c) after that day and before mineral exploration and access ceases at the source in question, the person by whom the expenditure was incurred began or begins to carry on a trade of mineral extraction.

In this sub-paragraph “source” has the same meaning as it had in Schedule 14 to FA 1986.

- (3) For the purposes of Part 5—
- (a) expenditure which by virtue of any provision of section 119 of CAA 1990 (read with any provision of Schedule 14 to FA 1986) was treated immediately before the coming into force of this Act as expenditure incurred on 1st April 1986 for any purpose or purposes is to continue to be so treated;
 - (b) any allowances treated as having been made under Schedule 13 to FA 1986 is to continue to be so treated;
 - (c) any amount treated as qualifying expenditure for the purposes of that Schedule is to continue to be so treated; and
 - (d) in relation to any expenditure to which paragraph 6(4)(a) of Schedule 14 to FA 1986 applied, section 424 does not apply (so that no deduction is to be made from the amount of any disposal receipt by reference to the undeveloped market value of the land in question).
- (4) In the case of expenditure incurred in the acquisition of a mineral asset, nothing in sub-paragraph (3)(c) affects the time as at which under section 404 the undeveloped market value of an interest is to be determined.

- (5) In a case where—
- (a) by virtue of any provision of this paragraph, the whole or any part of the outstanding balance (within the meaning of paragraph 1 of Schedule 14 to FA 1986) of an item of old expenditure is treated for the purposes of Part 5 as qualifying expenditure, and
 - (b) a balancing charge falls to be made under Chapter 6 of that Part in respect of the expenditure,

then, in determining the amount on which that charge falls to be made, subsection (4) of section 418 has effect (subject to sub-paragraph (6)) as if paragraph (b) of that subsection included a reference to allowances made in respect of the item under Chapter III of Part I of CAA 1968.

- (6) Where the qualifying expenditure in respect of which a balancing charge falls to be made represents part only of the outstanding balance of an item of old expenditure,

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the reference in sub-paragraph (5) to allowances made in respect of that item is to be construed as a reference to such part of those allowances as it is just and reasonable to apportion to that part of the balance (having regard to any apportionment made under paragraph 3(2) of Schedule 14 to FA 1986).

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