These notes refer to the Capital Allowances Act 2001 (c.2) which received Royal Assent on 22nd March 2001

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 1: Introduction

Section 6: Meaning of "chargeable period"

56. This section is based on section 160(2) to (6) of CAA 1990 together with parts of sections 161(2) and 147(1) and (2). It defines "chargeable period". This is a term used throughout the Act. It is, broadly, the period for which people work out their entitlement to allowances or liability to charges.

57. *Subsection (1)* gives the general rule. It is based on part of section 161(2) but omits the words which define a "chargeable period related to" the incurring of expenditure, or a sale or other event, as a reference to the chargeable period in which the expenditure is incurred, or the sale or other event takes place. These words reflect the definition before the introduction of self assessment and the amendments made by section 212 of FA 1994. Before self assessment the "chargeable period related to" the incurring of expenditure referred to the chargeable period in which, or to that in the basis period for which, the expenditure was incurred. But they meant the latter if, and only if, the chargeable period was a year of assessment. With the simplification introduced by self assessment this Act can refer directly to expenditure incurred in a chargeable period.

58. *Subsection (1)* refers to the accounting period of a company. Schedule 1 gives that the same meaning as in section 12 of ICTA.

59. *Subsection (2)* gives the general rules for what is the period of account for income tax purposes. Section 160(5) of CAA 1990 applies in terms only to allowances or charges under Parts I to VI and VIII of CAA 1990. In contrast, subsection (2)(b) applies to all Parts of this Act. This is however not a change in the law because the provisions for patents and know-how were previously treated as contained within a particular Part of CAA 1968 and so subject to the same rules; and because R&D allowances are only available to persons carrying on a trade. See *Note 4* in Annex 2.

60. *Subsections (4)* to *(6)* provide exceptions to the general rule for allowances and charges which go into the calculation of profits of a trade, profession or vocation. They are based on section 160(3), (4) and (6) of CAA 1990. Section 160(6) deals, among other things, with two periods of account which coincide. Subsection (4) does not contain any words to reflect the reference in section 160(6) to the coincidence of two periods. This could happen before self assessment with "basis periods". It cannot now. So it has been omitted from this section. See *Note 5* in Annex 2.