

*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 11: Contributions

Background

1845. ITA 1945 introduced provisions to deny allowances if expenditure was met by a grant or other capital contribution. But exceptions were made to this for:

- insurance or other compensation; and
- contributions (other than government grants and the like) from someone who could not get capital allowances on them under the provisions for contributors.

1846. The legislation for contributors gave the contributor (C) entitlement to:

- plant and machinery allowances;
- industrial buildings allowances;
- agricultural buildings allowances; or
- mineral extraction allowances;

for capital contributions for the purposes of the contributor's trade, or a trade carried on by the contributor's tenant, if the contribution met certain conditions. The main conditions were that:

- the recipient (R) would have been entitled to allowances but for the rule described in paragraph 1845; and
- the contributor (C) would have been entitled to allowances if C had incurred the expenditure on a similar asset.

1847. Similar legislation was included in section 17 of FA 1956 which introduced allowances for dredging.

1848. This broad approach remains in sections 153 to 155 of CAA 1990 and (for dredging) section 134(8) of CAA 1990. But sections 153 to 155 incorporate various changes since 1945. The main changes were:

- FA 1971 revised the legislation enabling the contributor (C) to get plant and machinery allowances to take account of the introduction of pooling; and
- FA 1989 (in preparation for consolidation in CAA 1990):
 - extended the provisions to professions and vocations as for trades;

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- denied the recipient (R) allowances if the contributor (C) could get tax relief for the contribution as a trading expense; and
- required contributions on which the contributor (C) claimed plant and machinery allowances to be allocated to a separate pool.