

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 2: Plant and machinery allowances

Chapter 14: Fixtures

Overview

635. This Chapter determines entitlement to allowances in respect of capital expenditure on plant and machinery which is or becomes a fixture.
636. Special rules are needed to deal with fixtures since land law treats them as belonging to the owner of the freehold. In many cases, this will mean that the person incurring expenditure on them for use in a qualifying activity will not be the owner of the fixture. In the absence of these rules, many taxpayers incurring capital expenditure on a fixture would fail to qualify for allowances under the general rule in section 11.
637. This Chapter contains six blocks of sections:
- sections 172 to 175 set out the scope of the Chapter and define “fixture” and other terms used in the Chapter;
 - sections 176 to 184 determine who is treated as the owner of a fixture and when. The basic rule is that a person who incurs expenditure on a fixture is treated as the owner so long as they have an interest in the relevant land (section 176). Other taxpayers, who may be treated as the owner, are:
 - an equipment lessor (see section 177);
 - a person who buys an interest in the land (see sections 181 and 182); and
 - a lessee (see sections 183 and 184).

It should be noted that sections 193 to 195 also provide for circumstances in which a taxpayer is treated as owning a fixture;

- sections 185 to 187 restrict the amount of qualifying expenditure for plant and machinery allowances in some circumstances. Broadly, these apply if capital allowances have already been claimed in respect of the fixture;
- sections 188 to 192 give disposal events for fixtures in addition to those in Chapter 5;
- sections 193 to 195 provide additional cases in which a taxpayer is treated as owning a fixture. These are listed separately because they are dependent on another taxpayer being treated as ceasing to own the fixture;

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

- sections 196 to 201 give the disposal values for fixtures. They take the place of the general rules in Chapter 5; and
- sections 202 to 204 deal with interpretation and administrative matters.