

*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 2: Plant and machinery allowances

Chapter 15: Asset provided or used only partly for qualifying activity

Section 205: Reduction of first-year allowances

748. This section is based on section 79(1) of CAA 1990. It restricts first-year allowances.
749. *Subsection (1)* restricts a first-year allowance if it appears that the plant or machinery will be used for purposes other than those of the qualifying activity. The reduction of allowances must be just and reasonable having regard to the relevant circumstances.
750. *Subsection (2)* expands the meaning of “relevant circumstances”. These include looking forward to the extent to which the plant or machinery is likely to be used for purposes other than those of the qualifying activity. There may be other circumstances.
751. *Subsection (3)* is makes clear the reduction in first-year allowances does not increase the qualifying expenditure on which writing-down allowances can be claimed in later chargeable periods. See *Note 38* in Annex 2.