

*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 5: Allowances and charges

Section 61: Disposal events and disposal values

308. This section is based on sections 24(6) and 26(1) of CAA 1990. It gives the general disposal events and the disposal values to go with them.

Example

The assumptions are as in the example for section 59 on page 47 except that P sells the van on 1 March 2004 for £3,000. This is an arm's length sale at market value. The disposal value is £3,000.

For 2003-04 P has:

available qualifying expenditure of £4,125; and

total of any disposal receipts of £3,000;

and, as AQE exceeds TDR, is entitled to writing-down allowances at 25% on £4,125 - £3,000 = £1,125

309. Item 2 in the Table provides for the market value to be found at the time of the sale. CAA 1990 is silent on this. But it is implicit. See *Note 17* in Annex 2.
310. There is a minor change. Item 5 in the Table gives a disposal value which is not in CAA 1990 in relation to the abandonment of certain plant or machinery. Section 24(6)(c)(ii) of CAA 1990 gives this disposal event. But section 26 of CAA 1990 does not give a disposal value for that specific event. In the absence of any specific disposal value within section 26(1), the disposal value is given by section 26(1)(f). It is the open market value of the plant or machinery. This is at odds with the treatment of other plant or machinery when it is demolished or possession is lost; with the treatment of plant or machinery that is dismantled or demolished as part of a decommissioning programme; and it is uncertain. Item 5 in the Table accordingly provides for the disposal value to be the insurance or other compensation received. See *Change 10* in Annex 1.