Capital Allowances Act 2001

2001 CHAPTER 2

PART 10

ASSURED TENANCY ALLOWANCES

CHAPTER 5

WRITING-DOWN ALLOWANCES

Entitlement to and calculation of writing-down allowances

507 Entitlement to writing-down allowance

(1) A person is entitled to a writing-down allowance for a chargeable period if—

(a) qualifying expenditure has been incurred on a building,

(b) that person is or has been an approved body,

(c) at the end of that chargeable period the person is entitled to the relevant interest in the building, and

(d) at the end of that chargeable period, the building is or includes a qualifying dwelling-house or two or more qualifying dwelling-houses.

(2) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.

508 Basic rule for calculating amount of allowance

(1) The basic rule is that the writing-down allowance for a chargeable period is 4% of the qualifying expenditure attributable to the dwelling-house or (as the case may be) each dwelling-house falling within section 507(1)(d).

(2) The allowance is proportionately increased or reduced if the chargeable period is more or less than a year.

(3) The basic rule does not apply if section 509 applies.

509 Calculation of allowance after sale of relevant interest

(1) This section applies if—

(a) the relevant interest in a qualifying dwelling-house is sold, and

(b) a balancing adjustment falls to be made under section 513 as a result of the sale.

(2) If this section applies, the writing-down allowance for any chargeable period ending after the sale is—

$$RQE \times \frac{A}{B}$$

where—

RQE is the amount of the residue of qualifying expenditure attributable to the dwelling-house immediately after the sale,

A is the length of the chargeable period, and

B is the length of the period from the date of the sale to the end of the period of 25 years beginning with the day on which the dwelling-house was first used.

(3) On any later such sale, the writing-down allowance is further adjusted in accordance with this section.

510 Allowance limited to residue of qualifying expenditure attributable to dwelling-house

(1) The amount of the writing-down allowance for a chargeable period in respect of a dwelling-house is limited to the residue of qualifying expenditure attributable to it.

(2) For this purpose the residue is ascertained immediately before writing off the writing-down allowance at the end of the chargeable period.

Interpretation

511 Qualifying expenditure attributable to dwelling-house

(1) If the building concerned consists of a single qualifying dwelling-house, then, subject to the relevant limit, the whole of the qualifying expenditure is attributable to the dwelling-house.

(2) If the qualifying dwelling-house forms part of a building, the qualifying expenditure attributable to the dwelling-house is, subject to the relevant limit, the total of—

(a) the part of the qualifying expenditure properly attributable to that dwelling-house, and

(b) if there are common parts of the building, such part of the qualifying expenditure on those common parts—

(i) as it is just and reasonable to attribute to that dwelling-house, and

(ii) as does not exceed 10% of the part referred to in paragraph (a).

(3) In this section “the relevant limit” means—

(a) £60,000, if the dwelling-house is in Greater London, and
(b) £40,000, if the dwelling-house is elsewhere.

(4) In subsection (2) "common parts", in relation to a building, means common parts of the building which—
(a) are not intended to be in separate occupation (whether for domestic, commercial or other purposes), but
(b) are intended to be of benefit to some or all of the qualifying dwelling-houses included in the building.

(5) For the purposes of subsection (2), the qualifying expenditure on any common parts of a building is so much of the expenditure on the construction of the building as it is just and reasonable to attribute to those parts.

512 Residue of qualifying expenditure attributable to dwelling-house

(1) The residue of qualifying expenditure attributable to a dwelling-house is the qualifying expenditure attributable to that dwelling-house that has not yet been written off in accordance with Chapter 7.

(2) Subsection (1) is subject to section 528 (treatment of demolition costs).