



Capital Allowances Act 2001

2001 CHAPTER 2

PART 11

CONTRIBUTIONS

CHAPTER 1

EXCLUSION OF EXPENDITURE MET BY CONTRIBUTIONS

Rules excluding contributions

532 The general rule excluding contributions

- (1) For the purposes of this Act, the general rule is that a person (“R”) is to be regarded as not having incurred expenditure to the extent that it has been, or is to be, met (directly or indirectly) by—
 - (a) a public body, or
 - (b) a person other than R.
- (2) In this Chapter “public body” means the Crown or any government or public or local authority (whether in the United Kingdom or elsewhere).
- (3) The general rule does not apply for the purposes of Part 9 (dredging allowances).
- (4) The general rule is subject to the exceptions in sections 534 to 536.

533 Exclusion of contributions to dredging

- (1) For the purposes of Part 9, a person (“D”) who has incurred expenditure is to be regarded as not having incurred it for the purposes of a trade carried on or to be carried on by D to the extent that it has been, or is to be, met (directly or indirectly) by—
 - (a) a public body, or

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- (b) capital sums contributed by another person for purposes other than those of D's trade.

(2) Subsection (1) is not subject to the exceptions in sections 534 to 536.

Exceptions to the general rule excluding contributions

534 Northern Ireland regional development grants

- (1) A person is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that it is met (directly or indirectly) by a grant—
 - (a) made under Northern Ireland legislation, and
 - (b) declared by the Treasury by order to correspond to a grant under Part II of the Industrial Development Act 1982 (c. 52).
- (2) Subject to subsection (3), the grant is to be treated as not falling within subsection (1) if, by virtue of paragraph 8 of Schedule 3 to OTA 1975, expenditure which has been or is to be met by the grant is not to be regarded for any of the purposes of Part I of OTA 1975 as having been incurred by any person.
- (3) If only a proportion of the expenditure which has been or is to be met by the grant is expenditure which, if it were not so met, would be allowable under section 3 or 4 of OTA 1975, only a corresponding proportion of the grant is to be treated as not falling within subsection (1).

535 Insurance or compensation money

A person is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that it is met (directly or indirectly) by—

- (a) insurance money, or
- (b) other compensation money,

payable in respect of an asset which has been destroyed, demolished or put out of use.

536 Contributions not made by public bodies and not eligible for tax relief

- (1) A person (“R”) is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that the requirements in subsections (2) and (3) are satisfied in relation to the expenditure.
- (2) The first requirement is that the person meeting R's expenditure (“C”) is not a public body.
- (3) The second requirement is that—
 - (a) no allowance can be made under Chapter 2 in respect of C's expenditure, and
 - (b) the expenditure is not allowed to be deducted in calculating the profits of a trade or relevant activity carried on by C.
- (4) When determining for the purposes of subsection (3)(a) whether an allowance can be made under Chapter 2, assume that C is within the charge to tax.
- (5) In subsection (3)(b) “relevant activity” means—
 - (a) for the purposes of Part 2—

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- (i) an ordinary Schedule A business;
 - (ii) a furnished holiday lettings business;
 - (iii) an overseas property business;
 - (iv) a profession or vocation;
 - (v) any concern listed in section 55(2) of ICTA (mines, transport undertakings etc.);
 - (vi) the management of an investment company;
- (b) for other purposes, a profession or vocation.