



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

#### CHAPTER 17

#### [<sup>F1</sup>OTHER ANTI-AVOIDANCE]

#### *Miscellaneous and supplementary*

#### **229 Hire-purchase etc.**

- (1) This section applies if—
- a person carrying on a qualifying activity incurs capital expenditure on the provision of plant or machinery for the purposes of the qualifying activity, and
  - the expenditure is incurred under a contract providing that the person shall or may become the owner of the plant or machinery on the performance of the contract.
- (2) If—
- the person assigns the benefit of the contract to another before the plant or machinery is brought into use, and
  - the circumstances are such that allowances to the assignee fall to be restricted under this Chapter,
- section 68(3) (disposal value where person ceases to be entitled to benefit of contract before plant or machinery brought into use) does not apply.
- (3) If the expenditure is incurred on the provision of plant or machinery for leasing under a finance lease—
- section 67(3) (expenditure due to be incurred under contract treated as incurred when plant or machinery brought into use), and

---

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Miscellaneous and supplementary. (See end of Document for details)*

---

- (b) section 68 (disposal values where person ceases to be entitled to benefit of contract),  
do not apply.
- (4) Subsection (5) applies if—
  - (a) a person is treated under section 67(4) as ceasing to own plant or machinery, and
  - (b) as a result of subsection (2) or (3), section 68(3) or (as the case may be) section 68 does not apply.
- (5) If this subsection applies—
  - (a) the disposal value is the total of—
    - (i) any relevant capital sums, and
    - (ii) any capital expenditure that the person would have incurred if he had wholly performed the contract, but
  - (b) the person is to be treated, for the purpose only of bringing the disposal value into account, as having incurred the capital expenditure mentioned in paragraph (a)(ii) in the relevant chargeable period.
- (6) “Relevant capital sums” means capital sums that the person receives or is entitled to receive by way of consideration, compensation, damages or insurance money in respect of—
  - (a) his rights under the contract, or
  - (b) the plant or machinery.
- (7) The relevant chargeable period, for the purposes of subsection (5)(b), is the chargeable period in which the person is treated under section 67(4) as ceasing to own the plant or machinery.

**[<sup>F1</sup>229A Transfer followed by hire-purchase etc: restrictions on hirer's allowances**

- (1) This section applies where—
  - (a) a person (“S”) transfers plant or machinery to another person (“B”),
  - (b) at any time after the date of the transfer, the plant or machinery is available to be used by S, or a person (other than B) who is connected with S (“CS”),
  - (c) it is available to be so used under a contract which provides that S or CS is to or may become the owner of the plant or machinery on the performance of the contract, and
  - (d) S or CS incurs capital expenditure on the provision of the plant or machinery under that contract.
- (2) No annual investment allowance or first-year allowance is to be made in respect of the expenditure of S or CS under the contract.
- (3) The amount, if any, by which E exceeds D is to be left out of account in determining the available qualifying expenditure of S or CS.
- (4) E is the capital expenditure of S or CS on the provision of the plant or machinery under the contract referred to in subsection (1)(c).
- (5) If S is required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), D is that disposal value.

---

**Changes to legislation:** There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Miscellaneous and supplementary. (See end of Document for details)

---

- [ D is nil if—
- <sup>F2</sup>(5A) (a) S is not required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), and
- (b) at any time before that transfer S or a linked person became owner of the plant or machinery without incurring either capital expenditure or qualifying revenue expenditure on its provision.]
- (6) Otherwise, D is whichever of the following is the smallest—
- (a) the market value of the plant or machinery;
- (b) if S incurred capital expenditure on the provision of the plant or machinery before the transfer referred to in subsection (1)(a), the amount of that expenditure;
- (c) if a person connected with S incurred capital expenditure on the provision of the plant or machinery before that transfer, the amount of that expenditure.
- (7) Sections 214 and 215 do not apply in relation to the contract referred to in subsection (1)(c).
- (8) Section 70Y(3) applies to references in this section to a transfer of plant or machinery by a person.
- (9) For the purposes of this section a transfer involving the grant of a lease takes place on the commencement of the term of the lease.
- [ Linked person”, in relation to plant or machinery, means a person—
- <sup>F3</sup>(10) (a) who owned the plant or machinery at any time before the transfer referred to in subsection (1)(a), and
- (b) who was connected with S at any time between—
- (i) the time when the person became owner of the plant or machinery, and
- (ii) the time of the transfer referred to in subsection (1)(a).
- (11) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature—
- (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm's length in the open market, or
- (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.]]

#### Textual Amendments

- F1** S. 229A inserted (with effect in accordance with Sch. 32 para. 22 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 21](#)
- F2** S. 229A(5A) inserted (with effect in accordance with Sch. 10 para. 4(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 10 para. 4\(2\)](#)
- F3** S. 229A(10)(11) inserted (with effect in accordance with Sch. 10 para. 4(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 10 para. 4\(3\)](#)

---

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Miscellaneous and supplementary. (See end of Document for details)*

---

### 230 Exception for manufacturers and suppliers

- [<sup>F4</sup>(1) The restrictions in sections 217 and 218 do not apply in relation to any plant or machinery if—
- (a) the relevant transaction is within section 213(1)(a) or (b),
  - (b) the case does not fall within section 215, and
  - (c) the conditions in subsection (3) are met.]

<sup>F5</sup>(2) .....

- (3) The conditions are that—
- (a) the plant or machinery has never been used before the sale or the making of the contract,
  - (b) S’s business, or part of S’s business, is the manufacture or supply of plant or machinery of that class, and
  - (c) the sale is effected or the contract made in the ordinary course of that business.

#### Textual Amendments

- F4** S. 230(1) substituted (with effect in accordance with Sch. 9 para. 9(1)(3) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 9 para. 7\(2\)](#)
- F5** S. 230(2) omitted (with effect in accordance with Sch. 9 para. 9(1)(3) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 9 para. 7\(3\)](#)

### 231 Adjustments of assessments etc.

All such assessments and adjustments of assessments are to be made as are necessary to give effect to this Chapter.

### 232 Meaning of connected person

- (1) For the purposes of this Chapter one person is to be treated as connected with another if—
- (a) they would be treated as connected under [<sup>F6</sup>section 575], or
  - (b) they are to be treated as connected under subsection (2).
- (2) If—
- (a) a public authority has at any time acquired plant or machinery from another public authority otherwise than by purchase, and
  - (b) it is directly or indirectly as a consequence of having been leased under a finance lease that the plant or machinery is available for any use to which it is put,
- the authority from whom the plant or machinery was acquired is to be treated, in relation to that plant or machinery, as connected with the acquiring authority and with every person connected with the acquiring authority.
- (3) In subsection (2), “public authority” includes the Crown or any government or local authority.
- (4) Subsection (2) does not apply in relation to section 219 (meaning of “finance lease”).

---

**Changes to legislation:** There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Miscellaneous and supplementary. (See end of Document for details)

---

**Textual Amendments**

- F6** Words in s. 232(1)(a) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 403](#) (with [Sch. 2](#))

**233 Additional VAT liabilities and rebates**

This Chapter needs to be read with sections 241 to 245 (provision for cases where a person involved in a relevant transaction or a sale and finance leaseback incurs an additional VAT liability or receives an additional VAT rebate).

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross  
Heading: Miscellaneous and supplementary.