



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

### CHAPTER 2

#### QUALIFYING ACTIVITIES

#### 15 Qualifying activities

- (1) Each of the following is a qualifying activity for the purposes of this Part—
- (a) a trade,
  - (b) an ordinary [<sup>F1</sup>UK][<sup>F2</sup>property] business,
  - (c) a [<sup>F3</sup>UK furnished] holiday lettings business,
  - (d) an [<sup>F4</sup>ordinary overseas] property business,
  - [<sup>F5</sup>(da) an EEA furnished holiday lettings business,]
  - (e) a profession or vocation,
  - (f) a concern listed in [<sup>F6</sup>section 12(4) of ITTOIA 2005 or][<sup>F7</sup>section 39(4) of CTA 2009] (mines, transport undertakings etc.),
  - [<sup>F8</sup>(g) managing the investments of a company with investment business,]
  - (h) special leasing of plant or machinery, and
  - (i) an employment or office,
- but to the extent only that the profits or gains from the activity are, or (if there were any) would be, chargeable to tax.

- (2) Subsection (1) is subject to the following provisions of this Part.

[<sup>F9</sup>(2ZA) Where an activity of a company is treated by subsection (1) of section 6D (NI rate activity treated as separate trade) as a separate trade, that activity is an activity separate from any other activity of the company.

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)*

(2ZB) Where an activity of a Northern Ireland firm is treated by subsection (2) of section 6D as a separate trade for the purposes of the corporate partner calculation, that activity is for the purposes of this Part, so far as relating to the corporate partner calculation, an activity separate from every other activity of the Northern Ireland firm.]

[<sup>F10</sup>(2A) A business carried on through one or more permanent establishments outside the United Kingdom by a company in relation to which an election under section 18A of CTA 2009 has effect—

- (a) is an activity separate from any other activity of the company, and
- (b) is to be regarded as an activity all the profits and gains from which are not, or (if there were any) would not be, chargeable to tax.]

[<sup>F11</sup>(2B) Subsection (2A) does not apply to the business so far as it consists of a plant or machinery lease under which the company is a lessor if any profits or losses arising from the lease are to be left out of account as mentioned in section 18C(3) of CTA 2009.]

(3) This section, in so far as it provides for—

- (a) an ordinary [<sup>F12</sup>UK][<sup>F13</sup>property] business,
- (b) an [<sup>F14</sup>ordinary overseas] property business, or
- (c) special leasing of plant or machinery,

to be a qualifying activity, needs to be read with section 35 (expenditure on plant or machinery for use in a dwelling-house not qualifying expenditure in certain cases).

(4) Also, subsection (1)(i) needs to be read with sections 36 (restriction on qualifying expenditure in case of employment or office) and 80 (vehicles provided for purposes of employment or office).

#### Textual Amendments

- F1** Word in s. 15(1)(b) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(3\)\(a\)](#)
- F2** Word in s. 15(1)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 526\(2\)\(a\)](#) (with Sch. 2)
- F3** Words in s. 15(1)(c) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(3\)\(b\)](#)
- F4** Words in s. 15(1)(d) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(3\)\(c\)](#)
- F5** S. 15(1)(da) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(3\)\(d\)](#)
- F6** Words in s. 15(1)(f) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 526\(2\)\(b\)](#) (with Sch. 2)
- F7** Words in s. 15(1)(f) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 476](#) (with Sch. 2 Pts. 1, 2)
- F8** S. 15(1)(g) substituted (with effect in accordance with art. 1(2) of the commencing S.I.) by [Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendments of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), [Sch. para. 52\(2\)](#)
- F9** S. 15(2ZA)(2ZB) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 4](#)
- F10** S. 15(2A) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 15, 31](#)
- F11** S. 15(2B) inserted (1.1.2013) by [Finance Act 2012 \(c. 14\)](#), [Sch. 20 paras. 9, 55\(1\)](#)

*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)

- F12** Word in s. 15(3)(a) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 14 para. 12(3)(e)**
- F13** Word in s. 15(3)(a) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 526(3)** (with Sch. 2 )
- F14** Words in s. 15(3)(b) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 14 para. 12(3)(f)**

## 16 Ordinary <sup>F15</sup>UK<sup>F16</sup> property businesses

In this Part “<sup>F17</sup>ordinary <sup>F18</sup>UK property business” <sup>F19</sup>means a UK property business <sup>F20</sup>... ] except in so far as it is a <sup>F21</sup>UK furnished] holiday lettings business.

### Textual Amendments

- F15** Word in s. 16 heading inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 14 para. 12(4)(a)**
- F16** Word in s. 16 substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 527(4)** (with Sch. 2 )
- F17** Words in s. 16 substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 527(2)** (with Sch. 2 )
- F18** Word in s. 16 inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 14 para. 12(4)(b)**
- F19** Words in s. 16 substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 527(3)** (with Sch. 2 )
- F20** Words in s. 16 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 477, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F21** Words in s. 16 substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 14 para. 12(4)(c)**

## 17 <sup>F22</sup>UK furnished] holiday lettings businesses

- (1) In this Part “<sup>F23</sup>UK furnished] holiday lettings business” means <sup>F24</sup>a UK property business <sup>F25</sup>... which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation] as it consists of the commercial letting of furnished holiday accommodation in the United Kingdom.
- (2) All <sup>F26</sup>such] commercial lettings of furnished holiday accommodation made by a particular person or partnership or body of persons are to be treated as one qualifying activity.
- <sup>F27</sup>(3) For the purposes of income tax the “ commercial letting of furnished holiday accommodation ” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- For the purposes of corporation tax the “ commercial letting of furnished holiday accommodation ” <sup>F28</sup>has the same meaning as it has for the purposes of Chapter 6 of Part 4 of CTA 2009 (see section 265)].]
- (4) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable.

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)*

#### Textual Amendments

- F22** Words in s. 17 heading substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(5\)\(a\)](#)
- F23** Words in s. 17(1) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(5\)\(b\)](#)
- F24** Words in s. 17(1) substituted (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 528\(2\)](#) (with [Sch. 2](#))
- F25** Words in s. 17(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 478\(2\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F26** Word in s. 17(2) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(5\)\(c\)](#)
- F27** S. 17(3) substituted (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 528\(3\)](#) (with [Sch. 2](#))
- F28** Words in s. 17(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 478\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))

### [<sup>F29</sup>17A Ordinary overseas property business

In this Part “ordinary overseas property business” means an overseas property business except in so far as it is an EEA furnished holiday lettings business.

#### Textual Amendments

- F29** Ss. 17A, 17B inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(6\)](#)

### 17B EEA furnished holiday lettings businesses

- (1) In this Part “EEA furnished holiday lettings business” means an overseas property business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation in one or more EEA states.
- (2) All such commercial lettings of furnished holiday accommodation made by a particular person or partnership or body of persons are to be treated as one qualifying activity.
- (3) Subsections (3) and (4) of section 17 are to apply for the purposes of this section as they apply for the purposes of that section.]

#### Textual Amendments

- F29** Ss. 17A, 17B inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(6\)](#)

### 18. Managing the investments of a company with investment business

- (1) For the purposes of this Part, managing the investments of a company with investment business consists of pursuing those purposes expenditure on which would be treated as expenses of management within [<sup>F30</sup>section 1219 of CTA 2009].

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)*

- (2) In this Part “company with investment business” has the meaning given by <sup>F31</sup>section 1218B] of CTA 2009.

#### Textual Amendments

- F30** Words in s. 18(1) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 479\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F31** Words in s. 18 substituted (with effect in accordance with Sch. 18 para. 23 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 18 paras. 21\(4\), 22](#); [S.I. 2013/1817](#), art. 2(2); [S.I. 2014/1962](#), art. 2(3)

## 19 Special leasing of plant or machinery

- (1) In this Part “special leasing”, in relation to plant or machinery, means hiring out the plant or machinery otherwise than in the course of any other qualifying activity (and references to a lessor or lessee in the context of special leasing are to be read accordingly).
- (2) A qualifying activity consisting of special leasing of plant or machinery begins when the plant or machinery is first hired out in the circumstances given in subsection (1).
- (3) A qualifying activity consisting of special leasing of plant or machinery is permanently discontinued if the lessor permanently ceases to hire out the plant or machinery otherwise than in the course of any other qualifying activity.
- (4) A person who has more than one item of plant or machinery that is the subject of special leasing has a separate qualifying activity in relation to each item.
- (5) If a company carrying on any <sup>F32</sup>long-term business]—
- hires out plant or machinery which is an investment asset (as defined by section 545(2)), and
  - does not do so in the course of a property business,
- the company is to be treated for the purposes of subsection (1) as hiring out the plant or machinery otherwise than in the course of a qualifying activity.

#### Textual Amendments

- F32** Words in s. 19(5) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 95](#)

## 20 Employments and offices

- (1) In section 15(1)(i) “employment” does not include an employment the performance of the duties of which is treated as the carrying on of a trade under <sup>F33</sup>section 15 of ITTOIA 2005] (divers and diving supervisors in the North Sea etc.).
- (2) Subsection (3) applies if the <sup>F34</sup>earnings] for any duties of an employment or office <sup>F35</sup>fall within section 22 or 26 of ITEPA 2003].
- (3) This Part applies in relation to—
- <sup>F36</sup>those earnings] , or
  - any <sup>F37</sup>other taxable earnings (as defined by section 10 of ITEPA 2003)] of the employment or office,

---

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)*

---

as if the performance of the duties did not belong to that employment or office.

#### **Textual Amendments**

- F33** Words in s. 20(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 529](#) (with [Sch. 2](#))
- F34** Word in s. 20(2) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 248\(2\)\(a\)](#) (with [Sch. 7](#))
- F35** Words in s. 20(2) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 248\(2\)\(b\)](#) (with [Sch. 7](#))
- F36** Words in s. 20(3) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 248\(3\)\(a\)](#) (with [Sch. 7](#))
- F37** Words in s. 20(3) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 248\(3\)\(b\)](#) (with [Sch. 7](#))

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2.