



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 5

ALLOWANCES AND CHARGES

Disposal events and disposal values: general

60 Meaning of “disposal receipt” and “disposal event”

- (1) In this Part “disposal receipt” means a disposal value that a person is required to bring into account in accordance with—
- (a) sections 61, 62 and 63 (disposal events, disposal values and the general limit on the amount of a disposal value),
 - (b) any of the provisions of this Part listed in section 66, or
 - (c) [^{F1}section 614BS of ITA 2007] or [^{F2}section 918 of CTA 2010 (cases where expenditure taken into account under Part 2, 5 or 8 of this Act) or] any other enactment,
- when read with sections 64 and 264(3) (cases in which no disposal value need be brought into account).
- (2) In this Part “disposal event” means any event of a kind that requires a disposal value to be brought into account under this Part (whether under section 61(1) or otherwise).
- (3) If—
- (a) qualifying expenditure has been allocated to a pool, and
 - (b) more than one disposal event occurs in respect of the plant or machinery,
- a disposal value is required to be brought into account in the pool in connection with the first event only.

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- (4) In subsection (3) “disposal event” does not include a disposal event arising under—
section 72 (computer software),
sections 140 and 143 (attribution of deferred balancing charge), or
section 238(2) (additional VAT rebates).

Textual Amendments

- F1** Words in s. 60(1)(c) substituted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 234](#) (with [Sch. 9 paras. 1-9, 22](#))
- F2** Words in s. 60(1)(c) inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 327](#) (with [Sch. 2](#))

61 Disposal events and disposal values

- (1) A person who has incurred qualifying expenditure is required to bring the disposal value of the plant or machinery into account for the chargeable period in which—
- (a) the person ceases to own the plant or machinery;
 - (b) the person loses possession of the plant or machinery in circumstances where it is reasonable to assume that the loss is permanent;
 - (c) the plant or machinery has been in use for mineral exploration and access and the person abandons it at the site where it was in use for that purpose;
 - (d) the plant or machinery ceases to exist as such (as a result of destruction, dismantling or otherwise);
 - (e) the plant or machinery begins to be used wholly or partly for purposes other than those of the qualifying activity;
 - [^{F3}(ee) the plant or machinery begins to be leased under a long funding lease (see Chapter 6A);]
 - (f) the qualifying activity is permanently discontinued.
- (2) The disposal value to be brought into account depends on the disposal event, as shown in the Table—

Table

Disposal values: general	
1. Disposal event	2. Disposal value
1. Sale of the plant or machinery, except in a case where item 2 [^{F4} or 2A] applies.	The net proceeds of the sale, together with— <ul style="list-style-type: none">(a) any insurance money received in respect of the plant or machinery as a result of an event affecting the price obtainable on the sale, and(b) any other compensation of any description so received, so far as it consists of capital sums.
2. Sale of the plant or machinery where—	The market value of the plant or machinery at the time of the sale.

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- (a) the sale is at less than market value,
- (b) there is no charge to tax under [F⁵ITEPA 2003], and
- (c) the condition in subsection (4) is met by the buyer.

[F⁶2A. Sale of the plant or machinery where—

- (a) the sale is at less than market value,
- (b) the condition in subsection (4A) is met by the seller, and
- (c) the condition in subsection (4B) is met by the buyer.

The market value of the plant or machinery at the time of the sale.]

3. Demolition or destruction of the plant or machinery.

The net amount received for the remains of the plant or machinery, together with—

- (a) any insurance money received in respect of the demolition or destruction, and
- (b) any other compensation of any description so received, so far as it consists of capital sums.

4. Permanent loss of the plant or machinery otherwise than as a result of its demolition or destruction.

Any insurance money received in respect of the loss and, so far as it consists of capital sums, any other compensation of any description so received.

5. Abandonment of the plant or machinery which has been in use for mineral exploration and access at the site where it was in use for that purpose.

Any insurance money received in respect of the abandonment and, so far as it consists of capital sums, any other compensation of any description so received.

[F⁷5A. Commencement of the term of a long funding finance lease of the plant or machinery.

The greater of—

- (a) the market value of the plant or machinery at the commencement of the term of the lease, and
- (b) the qualifying lease payments.]

[F⁸5B. Commencement of the term of a long funding operating lease of the plant or machinery.

An amount equal to the market value of the plant or machinery at the commencement of the term of the lease.]

6. Permanent discontinuance of the qualifying activity followed by the occurrence of an event within any of items 1 to [F⁹5B].

The disposal value for the item in question.

[F¹⁰6A. Disposal event to which section 62A applies.

The relevant transition value (see section 62A).]

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7. Any event not falling within any of items 1 to [F116A].	The market value of the plant or machinery at the time of the event.
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- (3) The amounts referred to in column 2 of the Table are those received by the person required to bring the disposal value into account.
- (4) The condition referred to in item 2 of the Table is met by the buyer if—
- (a) the buyer's expenditure on the acquisition of the plant or machinery cannot be qualifying expenditure under this Part or Part 6 (research and development allowances), or
 - (b) the buyer is a dual resident investing company which is connected with the seller.
- [F12(4A) The condition referred to in paragraph (b) of item 2A in the Table is met by the seller if—
- (a) the seller is—
 - (i) a company, or
 - (ii) a partnership whose partners include one or more companies, and
 - (b) before the sale the plant or machinery is used wholly or partly for the purposes of a qualifying activity that is not an NI rate activity.
- (4B) The condition referred to in paragraph (c) of item 2A in the Table is met by the buyer if—
- (a) the buyer is [F13an SME (Northern Ireland employer) company], a NIRE company or a Northern Ireland firm in the chargeable period of the buyer in which the plant or machinery is bought,
 - (b) the buyer's expenditure on the acquisition of the plant or machinery is qualifying expenditure under this Part or Part 6 (research and development allowances), and
 - (c) the plant or machinery is used by the buyer wholly or partly for the purposes of an NI rate activity.]
- (5) In this section “mineral exploration and access” has the same meaning as in Chapter 13 (provisions affecting the mining and oil industries) and Part 5 (mineral extraction allowances).
- [F14(5A) In item 5A of the Table “qualifying lease payments” means the minimum payments under the lease (including any initial payment), excluding the following—
- (a) so much of any payment as, under generally accepted accounting practice, falls (or would fall) to be treated as the gross return on investment in respect of the lease,
 - (b) so much of any payment as represents charges for services, and
 - (c) so much of any payment as represents qualifying UK or foreign tax (within the meaning of section 70YE) to be paid by the lessor.]

F15(6)

F15(7)

F15(8)

F15(9)

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Textual Amendments

- F3** S. 61(1)(ee) inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(2\)](#)
- F4** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(2\)\(a\)](#)
- F5** Words in s. 61(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. 249](#) (with [Sch. 7](#))
- F6** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(2\)\(b\)](#)
- F7** Words in s. 61(2) substituted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(2\)](#)
- F8** Words in s. 61(2) Table inserted (with effect in accordance with Sch. 8 para. 15 to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(3\)](#)
- F9** Word in s. 61(2) substituted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(4\)](#)
- F10** S. 61 Table Item 6A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 16, 31](#)
- F11** Word in s. 61 Table Item 7 substituted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 16, 31](#)
- F12** S. 61(4A)(4B) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(3\)](#)
- F13** Words in s. 61(4B)(a) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(d\)](#)
- F14** S. 61(5A) inserted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(3\)](#)
- F15** S. 61(6)-(9) omitted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(4\)](#)

Modifications etc. (not altering text)

- C1** S. 61 modified (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 9 para. 9\(4\)](#) (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), [Sch. 1](#)
- C2** S. 61 modified (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 2](#); [S.I. 2005/1444](#), art. 2(1), [Sch. 1](#)
- C3** S. 61 modified (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 22](#); [S.I. 2005/1909](#), art. 2, [Sch.](#)
- C4** S. 61(2)-(4) excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 14\(2\)\(a\)](#); [S.I. 2005/1444](#), art. 2(1), [Sch. 1](#)

62 General limit on amount of disposal value

- (1) The amount of any disposal value required to be brought into account by a person in respect of any plant or machinery is limited to the qualifying expenditure incurred by the person on its provision.
- (2) Subsection (3) applies if a person who is required to bring a disposal value into account has acquired the plant or machinery as a result of a transaction which was, or a series of transactions each of which was, between connected persons.
- (3) The amount of the disposal value is limited to the amount of the qualifying expenditure on the provision of the plant or machinery incurred by whichever party to the transaction, or to any of the transactions, incurred the greatest such expenditure.
- (4) This section is subject to section 239 (limit on disposal value where additional VAT rebate or rebates has or have been made in respect of original expenditure).

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[^{F16}62A Cases in which disposal value is transition value

- (1) Subject as follows, this section applies where an election under section 18A of CTA 2009 has effect in relation to a company and the operation of section 15(2A) brings about a disposal event consisting of plant or machinery beginning to be used for purposes other than those of a qualifying activity.
- (2) Where this section applies to a disposal event, the disposal value is the transition value.
- (3) The transition value is such amount as gives rise to neither a balancing allowance nor a balancing charge.
- (4) This section does not apply if—
 - (a) the qualifying expenditure in respect of the plant or machinery, or of the group of assets of which it forms part at any time during a relevant accounting period, exceeds £5 million, and
 - (b) the company has used the plant or machinery otherwise than for the purposes of a permanent establishment in a territory outside the United Kingdom at any time during a relevant preceding accounting period.
- (5) For the purposes of subsection (4)(a) plant or machinery used together constitutes a group of assets.
- (6) In subsection (4) “relevant preceding accounting period” means the accounting period in which the election under section 18A is made or an earlier accounting period ending less than 6 years before the end of that accounting period.]

Textual Amendments

F16 S. 62A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 17, 31](#) (with [Sch. 13 para. 36](#))

63 Cases in which disposal value is nil

- (1) If a person disposes of plant or machinery by way of gift in circumstances such that there is a charge to tax under [^{F17}ITEPA 2003], the disposal value of the plant or machinery is nil.
- (2) If a person carrying on a relevant qualifying activity makes a gift of plant or machinery used in the course of the activity—
 - (a) to a [^{F18}charitable trust ^{F19}...],
 - [^{F20}(aa) to a charitable company ^{F21}...,
 - (ab) to a registered club within the meaning of Chapter 9 of Part 13 of CTA 2010 (community amateur sports clubs),]
 - (b) to a body listed in [^{F22}section 468 of CTA 2010] (various heritage bodies and museums), or
 - (c) for the purposes of a designated educational establishment within the meaning of [^{F23}section 110 of ITTOIA 2005 or][^{F24}section 106 of CTA 2009] (gifts to educational establishments),
 the disposal value of the plant or machinery is nil.
- (3) In subsection (2) “relevant qualifying activity” means a qualifying activity consisting of—
 - (a) a trade,

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- (b) an ordinary [^{F25}UK][^{F26}property] business,
 - (c) a [^{F27}UK furnished] holiday lettings business,
 - (d) an [^{F28}ordinary overseas] property business, ^{F29}...
 - [^{F30}(da) an EEA furnished holiday lettings business, or]
 - (e) a profession or vocation.
- (4) Subsection (2) [^{F31}—
- (a)] needs to be read with [^{F32}section 109 of ITTOIA 2005 and][^{F33}section 108 of CTA 2009] (which provide for a charge to tax if subsection (2) applies in circumstances in which the donor or a connected person receives a benefit attributable to the gift)[^{F34}, and
 - (b) is subject to section 809ZM of ITA 2007 and section 939F of CTA 2010 (removal of tax relief in respect of tainted charity donations etc).]
- (5) If expenditure is treated under section 27(2) (expenditure on thermal insulation, safety measures, etc.) as having been incurred on plant or machinery, the disposal value of the plant or machinery is nil.

Textual Amendments

- F17** Words in s. 63(1) 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. 250** (with [Sch. 7](#))
- F18** Words in s. 63(2)(a) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(a)** (with [Sch. 2](#))
- F19** Words in s. 63(2)(a) omitted (with effect in accordance with art. 12 of the commencing S.I.) by virtue of [Finance Act 2010 \(c. 13\)](#), **Sch. 6 paras. 16(a)34(2)**; S.I. 2012/736, art. 12
- F20** S. 63(2)(aa)(ab) inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(b)** (with [Sch. 2](#))
- F21** Words in s. 63(2)(aa) omitted (with effect in accordance with art. 12 of the commencing S.I.) by virtue of [Finance Act 2010 \(c. 13\)](#), **Sch. 6 paras. 16(b)34(2)**; S.I. 2012/736, art. 12
- F22** Words in s. 63(2)(b) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(c)** (with [Sch. 2](#))
- F23** Words in s. 63(2)(c) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 535(2)** (with [Sch. 2](#))
- F24** Words in s. 63(2)(c) 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. 482(2)** (with [Sch. 2 Pts. 1, 2](#))
- F25** Word in s. 63(3)(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(10)(a)**
- F26** Word in s. 63(3)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 535(3)** (with [Sch. 2](#))
- F27** Words in s. 63(3)(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(10)(b)**
- F28** Words in s. 63(3)(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(10)(c)**
- F29** Word in s. 63(3)(d) omitted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(d)**
- F30** S. 63(3)(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(10)(d)**
- F31** Words in s. 63(4) renumbered as s. 63(4)(a) (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 3 para. 4(a)**
- F32** Words in s. 63(4) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 535(4)** (with [Sch. 2](#))

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- F33** Words in s. 63(4) 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. 482\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F34** S. 63(4)(b) and word inserted (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 3 para. 4\(b\)](#)

Modifications etc. (not altering text)

- C5** S. 63(2) modified (with effect as mentioned in s. 58(4) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 58, Sch. 18 para. 9\(3\)\(c\)](#)

64 Case in which no disposal value need be brought into account

- (1) A person is not required to bring a disposal value into account in a pool for a chargeable period in respect of plant or machinery if none of the qualifying expenditure is or has been taken into account in a claim in determining the person's available qualifying expenditure in the pool for that or any previous chargeable period.
- (2) Subsection (3) applies if—
 - (a) a person ("C") has incurred qualifying expenditure on plant or machinery,
 - (b) C acquired the plant or machinery as a result of a transaction which was, or a series of transactions each of which was, between connected persons,
 - (c) any connected person (apart from C) who was a party to the transaction, or one of the series of transactions, is or has been required to bring a disposal value into account as a result of the transaction,
 - (d) a disposal event ("the relevant disposal event") occurs in respect of the plant or machinery at a time when it is owned by C, and
 - (e) none of C's qualifying expenditure is or has been taken into account in a claim in determining C's available qualifying expenditure for the chargeable period in which the relevant disposal event occurs or any previous chargeable period.
- (3) If this subsection applies—
 - (a) subsection (1) does not apply in relation to the relevant disposal event, and
 - (b) C's qualifying expenditure is to be treated as allocated to the appropriate pool for the chargeable period in which the relevant disposal event occurs.
- (4) In subsection (3)—
 - (a) "qualifying expenditure" means, if a first-year allowance has been made to C, the amount (including a nil amount) remaining after deducting the allowance, and
 - (b) "the appropriate pool" means whichever pool is applicable in relation to C under the provisions of this Part.
- (5) A person takes expenditure into account in a claim if he takes it into account—
 - (a) in a tax return;
 - (b) by giving notice of an amendment of a tax return;
 - (c) in any other claim under this Part.

[^{F35}64A Leased assets: arrangements reducing disposal value of asset

- (1) Where—
 - (a) plant or machinery ("the asset") is subject to a lease,

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- (b) a disposal event occurs with the result that a disposal value in respect of the asset is to be brought into account under Item 1, 2 or 7 of the Table in section 61(2), and
- (c) arrangements have been entered into that have the effect of reducing the disposal value of the asset in so far as it is attributable to rentals payable under the lease,

the disposal value is to be determined as if the arrangements had not been entered into.

(2) Subsection (1) does not apply if—

- (a) the arrangements take the form of a transfer of relevant receipts within section 809AZA of ITA 2007 and the relevant amount has been treated as income under section 809AZB of that Act, or
- (b) the arrangements take the form of a transfer of relevant receipts within section 752 of CTA 2010 and the relevant amount has been treated as income under section 753 of that Act.]

Textual Amendments

F35 S. 64A inserted (8.4.2010) (with effect in accordance with Sch. 5 para. 3(2) to the amending Act) by [Finance Act 2010 \(c. 13\)](#), [Sch. 5 para. 3\(1\)](#)

Changes to legislation:

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Heading: Disposal events and disposal values: general.