



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 8

CARS, ETC.

Cars above the cost threshold

74 Single asset pool

- (1) Qualifying expenditure incurred on the provision of a car to which this section applies, if allocated to a pool, must be allocated to a single asset pool.
- (2) This section applies to a car if—
 - (a) the car is not a qualifying hire car (as defined by section 82), and
 - (b) the capital expenditure incurred on its provision for the purposes of the qualifying activity exceeds £12,000.
- (3) In this Chapter “car” has the meaning given by section 81 (extended meaning of “car”).
- (4) The Treasury may by order increase or further increase the sums of money specified in subsection (2) and in sections 75 and 76.

75 General limit on amount of writing-down allowance

- (1) The amount of the writing-down allowance to be made to a person for a chargeable period in respect of qualifying expenditure incurred on the provision of a car to which section 74 applies must not exceed £3,000.

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- (2) The limit under subsection (1) is proportionately increased or reduced if the chargeable period is more or less than a year.
- (3) The amount of the writing-down allowance may be further limited under—
 section 76 (expenditure met by another person),
 section 77 (effect of use partly for other purposes), or
 section 78 (effect of partial depreciation subsidy).

76 Limit where part of expenditure met by another person

- (1) Subsection (2) applies if, as a result of section 532 (general rule excluding contributions), only part of the capital expenditure incurred on the provision of a car to which section 74 applies is treated as incurred by a person.
- (2) The amount of the writing-down allowance to be made to that person for a chargeable period in respect of the qualifying expenditure on the car must not exceed—

$$£3,000 \times \frac{E-X}{E}$$

where—

E is the amount of capital expenditure incurred on the provision of the car,
 and
 X is the amount of the expenditure excluded by section 532.

- (3) Subsection (4) applies if—
- capital expenditure exceeding £12,000 is incurred on the provision of a car to which section 74 applies, and
 - a person (“the contributor”) is entitled to writing-down allowances as a result of section 538 (contribution allowances for plant and machinery).
- (4) The amount of the writing-down allowance to be made to the contributor for a chargeable period in respect of his contribution to the expenditure on the car must not exceed—

$$£3,000 \times \frac{C}{E}$$

where—

E is the amount of capital expenditure incurred on the provision of the car,
 and
 C is the amount of the contribution.

- (5) The limit under subsection (2) or (4) is proportionately increased or reduced if the chargeable period is more or less than a year.

77 Car used partly for purposes other than those of qualifying activity

- (1) In the case of a single asset pool under section 74 there is no final chargeable period or disposal event merely because the car begins to be used partly for purposes other than those of the qualifying activity.

- (2) For any chargeable period in which the car is used partly for purposes other than those of the qualifying activity—
 - (a) any writing-down allowance or balancing allowance to which the person is entitled, or
 - (b) any balancing charge to which the person is liable,must be reduced to an amount which is just and reasonable having regard to the relevant circumstances.
- (3) The relevant circumstances include, in particular, the extent to which the car is used in that chargeable period for purposes other than those of the qualifying activity.
- (4) In calculating under section 59 the amount of unrelieved qualifying expenditure carried forward, a reduction of a writing-down allowance under this section is to be disregarded.
- (5) If this section applies, Chapter 15 (plant or machinery provided or used partly for purposes other than those of the qualifying activity) does not apply.

78 Effect of partial depreciation subsidy

- (1) This section applies if—
 - (a) a car to which section 74 applies is in use for the purposes of the qualifying activity,
 - (b) there is paid to the person carrying on that activity a sum in respect of, or which takes account of, part of the depreciation of the car resulting from that use, and
 - (c) the sum does not fall to be taken into account as income of that person or in calculating the profits of any qualifying activity carried on by him.
- (2) The amount of—
 - (a) any writing-down allowance or balancing allowance to which the person is entitled, or
 - (b) any balancing charge to which the person is liable,must be reduced to an amount which is just and reasonable having regard to the relevant circumstances.
- (3) In calculating under section 59 the amount of unrelieved qualifying expenditure carried forward, a reduction of a writing-down allowance under subsection (2) is to be disregarded.
- (4) This section has effect for the chargeable period in which any such sum as is mentioned in subsection (1)(b) is first paid and for any subsequent chargeable period.
- (5) If this section applies, Chapter 16 (partial depreciation subsidies) does not apply.

79 Cases where Chapter 17 (anti-avoidance) applies

- (1) This section applies if—
 - (a) a disposal value is required to be brought into account under section 61, and
 - (b) the disposal event is that the person concerned ceases to own a car to which section 74 applies because of—
 - (i) a sale, or

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- (ii) the performance of a contract,
which is a relevant transaction for the purposes of Chapter 17 (anti-avoidance).
- (2) The disposal value to be brought into account is—
 - (a) the market value of the car at the time of the event referred to in subsection (1),
or
 - (b) if less, the capital expenditure incurred, or treated as incurred, on the provision
of the car by the person disposing of it.
- (3) The person acquiring the car is to be treated as having incurred capital expenditure
on its provision of an amount equal to the disposal value required to be brought into
account under subsection (2).