Capital Allowances Act 2001

2001 CHAPTER 2

PART 3

INDUSTRIAL BUILDINGS ALLOWANCES

CHAPTER 8

WRITING OFF QUALIFYING EXPENDITURE

332 Introduction

For the purposes of this Part qualifying expenditure is written off to the extent and at the times specified in this Chapter.

333 Writing off initial allowances

If an initial allowance is made in respect of the qualifying expenditure, the amount of the allowance is written off at the time when the building is first used.

334 Writing off writing-down allowances

(1) If a writing-down allowance is made in respect of the qualifying expenditure, the amount of the allowance is written off at the end of the chargeable period for which the allowance is made.

(2) If a balancing event occurs at the end of the chargeable period referred to in subsection (1), the amount written off under that subsection is to be taken into account in calculating the residue of qualifying expenditure immediately before the event to determine what balancing adjustment (if any) is to be made.

335 Writing off research and development allowances

(1) If an allowance under Part 6 (research and development allowances) is made in respect of the qualifying expenditure, the amount of the allowance is written off at the end of the chargeable period for which the allowance is made.

(2) If a balancing event occurs at the end of the chargeable period referred to in subsection (1), the amount written off under that subsection is to be taken into account in calculating the residue of qualifying expenditure immediately before that event to determine what balancing adjustment (if any) is to be made.

336 Writing off expenditure when building not an industrial building

(1) This section applies if for any period or periods between—

(a) the time when the building was first used for any purpose, and

(b) the time when the residue of qualifying expenditure falls to be ascertained,

the building was not an industrial building.

(2) An amount equal to the notional writing-down allowances for the period or periods is written off at the time when the residue falls to be ascertained.

(3) The notional writing-down allowances are the allowances that would have been made for the period or periods in question (if the building had remained an industrial building), at such rate or rates as would have been appropriate having regard to any relevant sale.

(4) In subsection (3) "relevant sale" means a sale of the relevant interest as a result of which a balancing adjustment falls to be made under section 314.

337 Writing off or increase of expenditure where balancing adjustment made

(1) This section applies if the relevant interest in the building is sold.

(2) If a balancing allowance is made, the amount by which the residue of qualifying expenditure before the sale exceeds the net proceeds of the sale is written off at the time of the sale.

(3) If a balancing charge is made, the amount of the residue of qualifying expenditure is increased at the time of the sale by the amount of the charge.

(4) But if the balancing charge is made under section 319(6) (difference between net allowances made and adjusted net cost), the residue of qualifying expenditure immediately after the sale is limited to the net proceeds of the sale.

338 Writing off capital value which has been realised

If a balancing event within section 328 occurs (realisation of capital value), an amount equal to any capital value realised is written off at the time of the event.

339 Crown or other person not within the charge to tax entitled to the relevant interest

(1) This section applies if at any time—

(a) the Crown, or

(b) a person who is not within the charge to tax,

("A") is entitled to the relevant interest in a building.

(2) Sections 333 to 338 (writing off qualifying expenditure) have effect as if all writing-down allowances and balancing adjustments had been made as could have been made if—

(a) a person ("B") who—

(i) is not the Crown,

(ii) is within the charge to tax, and

(iii) is not a company,

had been entitled to the relevant interest, and

(b) the other assumptions in subsection (3) had been made.

(3) The assumptions are that—

(a) while A was entitled to the relevant interest, all things which were done in relation to the building—

(i) by or to A, or

(ii) by or to a person using the building under the authority of A,

were done by or to B for the purposes of, and in the course of, a trade carried on by B,

(b) any sale of the relevant interest in the building by or on behalf of A was made in connection with the termination of the trade carried on by B, and

(c) B's periods of account for that trade had, in the case of each tax year, ended immediately before the beginning of the next tax year.

340 Treatment of demolition costs

(1) This section applies if—

(a) a building is demolished, and

(b) the person to or on whom any balancing allowance or balancing charge is or might be made is the person incurring the cost of the demolition.

(2) The net cost of the demolition is added to the residue of qualifying expenditure immediately before the demolition.

(3) "The net cost of the demolition" means the amount, if any, by which the cost of the demolition exceeds any money received for the remains of the property.

(4) If this section applies, neither the cost of the demolition nor the net cost of the demolition is treated for the purposes of any Part of this Act other than Part 10 (assured tenancy allowances) as expenditure on any other property replacing the property demolished.