



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 5

#### MINERAL EXTRACTION ALLOWANCES

### CHAPTER 4

#### QUALIFYING EXPENDITURE: SECOND-HAND ASSETS

*Assets reflecting expenditure on mineral exploration and access*

#### **407 Acquisition of mineral asset owned by previous trader**

- (1) This section applies if—
- (a) a person carrying on a mineral extraction trade (“the buyer”) incurs capital expenditure on acquiring a mineral asset (“asset X”) for the purposes of that trade, and
  - (b) the conditions in subsection (3) are met.
- (2) In this section “the buyer’s expenditure” means the expenditure referred to in subsection (1)(a), less any amount which, under section 404 (exclusion of undeveloped market value of land), is not qualifying expenditure on the acquisition of the mineral asset.
- (3) The conditions are that—
- (a) expenditure was previously incurred on acquiring asset X or bringing it into existence by—
    - (i) the person from whom the buyer acquired asset X, or
    - (ii) an earlier owner of asset X,in connection with a mineral extraction trade carried on by the person incurring that expenditure,

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*Status: This is the original version (as it was originally enacted).*

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- (b) part of the value of asset X is properly attributable to expenditure (“E1”) on mineral exploration and access by the previous trader, and
  - (c) it is just and reasonable to attribute part of the buyer’s expenditure (“E2”) to that part of the value of asset X.
- (4) In arriving at E1, any expenditure that is or has been deducted in calculating, for tax purposes, the profits of a trade carried on by the previous trader must be excluded.
- (5) If this section applies—
  - (a) so much of the buyer’s expenditure as is equal to the lesser of E1 and E2 is to be treated as qualifying expenditure on mineral exploration and access, and
  - (b) the buyer’s expenditure on acquiring the mineral asset is reduced by the same amount.
- (6) “The previous trader” means—
  - (a) the person incurring the expenditure mentioned in subsection (3)(a), or
  - (b) if there has been more than one such person, the last before the buyer acquired asset X.
- (7) In this section references to asset X include—
  - (a) two or more assets which together make up asset X, and
  - (b) one asset from which, or two or more assets from the combination of which, asset X is derived.