



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

### CHAPTER 9

#### SHORT-LIFE ASSETS

#### **89 Disposal to connected person**

- (1) This section applies if, at any time before the four-year cut-off, a person (“the transferor”) disposes of a short-life asset to a connected person.
- (2) Subject to subsection (6)—
  - (a) the transferor is to be treated as having sold the short-life asset to the connected person for an amount equal to the available qualifying expenditure in the short-life asset pool for the chargeable period in which the disposal occurs, and
  - (b) the connected person is to be treated as having incurred qualifying expenditure of the same amount in buying the short-life asset.
- (3) Subject to subsection (6)—
  - (a) sections 217 and 218 (restrictions on first-year and other allowances in the case of certain transactions between connected persons, to obtain a tax advantage etc.), and
  - (b) sections 222 to 225 (further restrictions in the case of sale and finance leaseback),do not apply to the disposal.
- (4) Immediately after the disposal of the short-life asset, the connected person is to be taken to have made an election under section 83 (so that the plant or machinery is a short-life asset in his hands).

---

*Status: This is the original version (as it was originally enacted).*

---

- (5) In relation to the connected person, “the four-year cut-off” means the date that would have been the four-year cut-off in relation to the transferor.
- (6) Subsections (2) and (3) apply in relation to a disposal only if—
  - (a) the transferor, and
  - (b) the connected person,elect that they should apply.
- (7) An election under subsection (6) must be made by notice given to the Inland Revenue no later than 2 years after the end of the chargeable period in which the disposal occurred.