Capital Allowances Act 2001

CHAPTER 2

CAPITAL ALLOWANCES ACT 2001

PART 1

INTRODUCTION

CHAPTER 1

CAPITAL ALLOWANCES: GENERAL

1 Capital allowances
1A Capital allowances and charges: cash basis
2 General means of giving effect to capital allowances
3 Claims for capital allowances
4 Capital expenditure
5 When capital expenditure is incurred
6 Meaning of “chargeable period”

CHAPTER 1A

TRADES ATTRACTING NORTHERN IRELAND RATE OF CORPORATION TAX

6A “NIRE company” and “SME (Northern Ireland employer) company”
6B “Northern Ireland firm” etc
6C “NI rate activity”
6D NI rate activity treated as separate trade
6E Giving effect to allowances and charges: NI rate activity cases
CHAPTER 2
EXCLUSION OF DOUBLE RELIEF

7 No double allowances
8 No double relief through pooling under Part 2 (plant and machinery allowances)
9 Interaction between fixtures claims and other claims
10 Interpretation

PART 2
PLANT AND MACHINERY ALLOWANCES

CHAPTER 1
INTRODUCTION

11 General conditions as to availability of plant and machinery allowances
12 Expenditure incurred before qualifying activity carried on
13 Use for qualifying activity of plant or machinery provided for other purposes
13A Use for other purposes of plant or machinery previously used for long funding leasing
13B Use for other purposes of plant or machinery: property businesses
14 Use for qualifying activity of plant or machinery which is a gift

CHAPTER 2
QUALIFYING ACTIVITIES

15 Qualifying activities
16 Ordinary UK property businesses
17 UK furnished holiday lettings businesses
17A Ordinary overseas property business
17B EEA furnished holiday lettings businesses
18 Managing the investments of a company with investment business
19 Special leasing of plant or machinery
20 Employments and offices

CHAPTER 3
QUALIFYING EXPENDITURE

Buildings, structures and land

21 Buildings
22 Structures, assets and works
23 Expenditure unaffected by sections 21 and 22
24 Interests in land
25 Building alterations connected with installation of plant or machinery

Demolition costs

26 Demolition costs
Changes to legislation: Capital Allowances Act 2001 is up to date with all changes known to be in force on or before 26 January 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Expenditure on thermal insulation and personal security

27 Application of Part to thermal insulation and personal security
28 Thermal insulation of ... buildings
29 Fire safety
30 Safety at designated sports grounds
31 Safety at regulated stands at sports grounds
32 Safety at other sports grounds
33 Personal security

Expenditure on integral features

33A Expenditure on provision or replacement of integral features
33B Meaning of “replacement” in section 33A

Exclusion of certain types of expenditure

34 Expenditure by MPs and others on accommodation
34A Expenditure on plant or machinery for long funding leasing not qualifying expenditure
35 Expenditure on plant or machinery for use in dwelling-house not qualifying expenditure in certain cases
36 Restriction on qualifying expenditure in case of employment or office
37 Exclusion where sums payable in respect of depreciation
38 Production animals etc.
38ZA Vehicles for which deductions allowed at fixed rate under Part 2 of ITTOIA 2005

CHAPTER 3A

AIA QUALIFYING EXPENDITURE

38A AIA qualifying expenditure
38B General exclusions applying to section 38A

CHAPTER 4

FIRST-YEAR QUALIFYING EXPENDITURE

General

39 First-year allowances available for certain types of qualifying expenditure only

Types of expenditure which may qualify for first-year allowances

40 Expenditure incurred for Northern Ireland purposes by small or medium-sized enterprises
41 Miscellaneous exclusions from section 40 (expenditure for Northern Ireland purposes etc.)
42 Exclusion of plant or machinery partly for use outside Northern Ireland
43 Effect of plant or machinery subsequently being primarily for use outside Northern Ireland
44 Expenditure incurred by small or medium-sized enterprises
45 ICT expenditure incurred by small enterprises
45A Expenditure on energy-saving plant or machinery
45AA Section 45A exclusion: feed-in tariffs and renewable heat incentives
45B Certification of energy-saving plant and machinery
45C Energy-saving components of plant or machinery
45D Expenditure on cars with low carbon dioxide emissions
45DA Expenditure on zero-emission goods vehicles
45DB Exclusions from allowances under section 45DA
45E Expenditure on plant or machinery for gas refuelling station
45EA Expenditure on plant or machinery for electric vehicle charging point
45F Expenditure on plant and machinery for use wholly in a ring fence trade
45G Plant or machinery used for less than five years in a ring fence trade
45H Expenditure on environmentally beneficial plant or machinery
45I Certification of environmentally beneficial plant and machinery
45J Environmentally beneficial components of plant or machinery
45K Expenditure on plant and machinery for use in designated assisted areas
45L Exclusion of plant or machinery partly for use outside designated assisted areas
45M Exclusions from allowances under section 45K
45N Effect of plant or machinery subsequently being primarily for use outside designated assisted areas

46 General exclusions ...

Expenditure of small or medium-sized enterprises

47 Expenditure of small or medium-sized enterprises: companies
48 Expenditure of small or medium-sized enterprises: businesses
49 Whether company is a member of a large or medium-sized group

Supplementary

50 Time when expenditure is incurred
51 Disclosure of information between UK tax authorities

CHAPTER 5

ALLOWANCES AND CHARGES

Annual investment allowance

51A Entitlement to annual investment allowance
51B First restriction: companies
51C Second restriction: groups of companies
51D Third restriction: groups of companies under common control
51E Fourth restriction: other companies under common control
51F Companies and groups: meaning of “control”
51G Companies and groups: meaning of “related”
51H Fifth restriction: qualifying activities under common control
51I Qualifying activities: meaning of control
51J Qualifying activity: meaning of “related”
51JA Sixth restriction: allocation where profits chargeable at NI rate
51K Operation of annual investment allowance where restrictions apply
51L Special provision for short chargeable periods
51M Special provision for long chargeable periods
51N Special provision for long chargeable periods: supplementary
First-year allowances

52 First-year allowances

Prevention of double relief

52A Prevention of double relief

Pooling

53 Pooling of qualifying expenditure
54 The different kinds of pools

Writing-down and balancing allowances and balancing charges

55 Determination of entitlement or liability
56 Amount of allowances and charges
56A Writing-down allowances for small pools

Available qualifying expenditure

57 Available qualifying expenditure
58 Initial allocation of qualifying expenditure to pools
59 Unrelieved qualifying expenditure

Disposal events and disposal values: general

60 Meaning of “disposal receipt” and “disposal event”
61 Disposal events and disposal values
62 General limit on amount of disposal value
62A Cases in which disposal value is transition value
63 Cases in which disposal value is nil
64 Case in which no disposal value need be brought into account
64A Leased assets: arrangements reducing disposal value of asset

The final chargeable period

65 The final chargeable period

List of provisions outside this Chapter about disposal values

66 List of provisions outside this Chapter about disposal values

Application of Chapter to person leaving cash basis

66A Persons leaving cash basis

Effect of changes in Northern Ireland status of SME company or SME partnership

66B SME company entering NI corporation tax regime
66C SME partnership entering NI corporation tax regime
66D SME company leaving NI corporation tax regime
66E SME partnership leaving NI corporation tax regime

CHAPTER 6

HIRE-PURCHASE ETC. AND PLANT OR MACHINERY PROVIDED BY LESSEE
Hire-purchase and similar contracts

67 Plant or machinery treated as owned by person entitled to benefit of contract, etc.
68 Disposal value on cessation of notional ownership
69 Hire-purchase etc. and fixtures

Plant or machinery provided by lessee

70 Plant or machinery provided by lessee

Lessees under long funding leases

70A Entitlement to capital allowances
70B Long funding operating lease: amount of capital expenditure
70C Long funding finance lease: amount of capital expenditure
70D Long funding finance lease: additional expenditure: allowances for lessee
70DA Transfer and long funding leaseback: restrictions on lessee's allowances
70E Disposal events and disposal values

CHAPTER 6A

INTERPRETATION OF PROVISIONS ABOUT LONG FUNDING LEASES

Introductory

70F Introductory

Meaning of “long funding lease” etc

70G “Long funding lease”
70H Lessee: requirement for tax return treating lease as long funding lease
70I “Short lease”
70J “Funding lease”

Meaning of “plant or machinery lease”

70K “Plant or machinery lease”
70L Plant or machinery leased with other assets: separate derived leases
70M Derived leases of plant or machinery: term and rentals

The tests for being a funding lease

70N The finance lease test
70O The lease payments test
70P The useful economic life test

Leases excluded by right of lessor etc to claim capital allowances

70Q Leases excluded by right of lessor etc to claim capital allowances

Excluded leases of background plant or machinery for a building

70R Excluded leases of background plant or machinery for a building
70S The disqualifications
70T Orders relating to background plant or machinery for a building
Exclusion for certain plant or machinery leased with land

70U Plant or machinery leased with land: low percentage value

Avoidance

70V Tax avoidance involving international leasing

Transfers, assignments, novations, leaseback, variations etc

70W Transfers, assignments etc by lessor
70X Transfers, assignments etc by lessee
70Y Sale and leaseback, lease and leaseback etc: lessors
70YA Change in accountancy classification of long funding lease
70YB Long funding operating lease: extension of term of lease
70YC Extension of term of lease that is not a long funding lease
70YD Increase in proportion of residual amount guaranteed: review of status

Interpretation

70YE “Minimum lease payments”
70YF The “term” of a lease
70YG “Termination amount”
70YH “Termination value”
70YI General definitions
70YJ Power to vary the meaning of certain expressions

CHAPTER 7

COMPUTER SOFTWARE

71 Software and rights to software
72 Disposal values
73 Limit on disposal values

CHAPTER 8

CARS, ETC.

Cars above the cost threshold

74 Single asset pool
75 General limit on amount of writing-down allowance
76 Limit where part of expenditure met by another person
77 Car used partly for purposes other than those of qualifying activity
78 Effect of partial depreciation subsidy
79 Cases where Chapter 17 (anti-avoidance) applies

Vehicles provided for purposes of employment or office

80 Vehicles provided for purposes of employment or office

Interpretation

81 Extended meaning of “car”
82 Qualifying hire cars
CHAPTER 9
SHORT-LIFE ASSETS

83 Meaning of “short-life asset”
84 Cases in which short-life asset treatment is ruled out
85 Election for short-life asset treatment: procedure
86 Short-life asset pool
87 Short-life assets provided for leasing
88 Sales at under-value
89 Disposal to connected person

CHAPTER 10
LONG-LIFE ASSETS

Long-life asset expenditure

90 Long-life asset expenditure
91 Meaning of “long-life asset”
92 Application of Chapter to part of expenditure

Expenditure excluded from being long-life asset expenditure

93 Fixtures etc.
94 Ships
95 Railway assets
96 Cars
97 Expenditure within the relevant monetary limit: general
98 Expenditure to which the monetary limits apply
99 The monetary limit
100 Exceeding the monetary limit

Rules applying to long-life asset expenditure

101 Allocation of long-life asset expenditure to pool
102 Writing-down allowance in respect of long-life asset expenditure

Anti-avoidance provisions

103 Later claims
104 Disposal value of long-life assets

CHAPTER 10A
SPECIAL RATE EXPENDITURE

Special rate expenditure

104A Special rate expenditure
104AA Meaning of “main rate car”
104B Application of Chapter to part of expenditure

Rules applying to special rate expenditure

104C Special rate pool
104D Writing-down allowances at 6% or 10%
104E Disposal value of special rate assets
104F Special rate cars: discontinued activity continued by relevant company
104G Disposal events in respect of cushion gas

CHAPTER 11

OVERSEAS LEASING

Basic terms

105 “Leasing”, “overseas leasing” etc.
106 The designated period

Certain expenditure to be pooled

107 The overseas leasing pool
108 Effect of disposal to connected person on overseas leasing pool

Allowances reduced or, in certain cases, prohibited

109 Writing-down allowances at 10%
110 Cases where allowances are prohibited

Recovery of excess allowances

111 Excess allowances: standard recovery mechanism
112 Excess allowances: connected persons
113 Excess allowances: special provision for ships

Recovery of allowances given in cases where prohibition applies

114 Prohibited allowances: standard recovery mechanism
115 Prohibited allowances: connected persons

Application of Chapter in relation to joint lessees

116 Mitigation of regime
117 Recovery of allowances in case of joint lessees

Duties to supply information

118 Certificate relating to protected leasing
119 Notice of change of use of plant or machinery
120 Notice and joint lessees

Qualifying purposes

121 Meaning of “short-term leasing”
122 Short-term leasing by buyer, lessee, etc.
123 Ships and aircraft
124 Transport containers
125 Other qualifying purposes

Minor definitions

126 Minor definitions
CHAPTER 12

SHIPS

Pooling and postponement of allowances

127 Single ship pool
128 Expenditure which is not to be allocated to single ship pool
129 Election to use the appropriate non-ship pool
130 Notice postponing first-year or writing-down allowance
131 Effect of postponement
132 Disposal events and single ship pool
133 Ship not used

Deferment of balancing charges

134 Deferment of balancing charges: introduction
135 Claim for deferment
136 Further conditions for deferment
137 Effect of deferment
138 Limit on amount deferred
139 Amount taken into account in respect of old ship

Attribution of deferred amounts

140 Notice attributing deferred amounts to new expenditure
141 Deferred amounts attributed to earlier expenditure first
142 Variation of attribution
143 Effect of attribution
144 Amounts which cease to be attributable
145 Requirement to notify where no entitlement to defer amounts

Expenditure on new shipping

146 Basic meaning of expenditure on new shipping
147 Exclusions: ship previously owned
148 Exclusions: object to secure deferment
149 Exclusions: later events
150 Exclusions where expenditure not incurred by shipowner

Qualifying ships

151 Basic meaning of qualifying ship
152 Ships under 100 tons
153 Ships which are not qualifying ships
154 Further registration requirement

Deferment of balancing charges: supplementary provisions

155 Change in the persons carrying on the qualifying activity
156 Connected persons

Further provisions

157 Adjustment of assessments etc.
158 Members of same group
CHAPTER 13

PROVISIONS AFFECTING MINING AND OIL INDUSTRIES

Expenditure connected with mineral extraction trades
159 Meaning of “mineral extraction trade” etc.
160 Expenditure treated as incurred for purposes of mineral extraction trade
161 Pre-trading expenditure on mineral exploration and access

Expenditure connected with reuse etc. of offshore oil infrastructure
161A Meaning of “offshore infrastructure”
161B Meaning of “decommissioning expenditure”
161C Expenditure related to reuse etc. qualifies for writing-down allowances
161D Exceptions to section 161C(2)

Provisions relating to ring fence trades
162 Ring fence trade a separate qualifying activity
163 Meaning of “general decommissioning expenditure”
164 General decommissioning expenditure incurred before cessation of ring fence trade
165 General decommissioning expenditure after ceasing ring fence trade

Restrictions on allowances: anti-avoidance
165A Decommissioning services supplied by connected person
165B Restriction on allowance available
165C Allowance in respect of certain services related to decommissioning
165D Allowance where decommissioning undertaken for other participators in oil field
165E Transaction to obtain tax advantage

Transfers of interests in oil fields: anti-avoidance
166 Transfers of interests in oil fields: anti-avoidance

Oil production sharing contracts
167 Oil production sharing contracts
168 Expenditure on plant or machinery incurred by contractor
169 Expenditure on plant or machinery incurred by participator
170 Participator’s expenditure attributable to plant or machinery
171 Disposal values on cessation of ownership

CHAPTER 14

FIXTURES

Introduction
172 Scope of Chapter etc.
172A Long funding leases etc: cases where this Chapter does not apply.
173 Meaning of “fixture” and “relevant land”
174 Meaning of “equipment lease” and “lease”
175  Meaning of “interest in land”, etc.
175A Meaning of “energy services agreement”

Persons who are treated as owners of fixtures

176  Person with interest in relevant land having fixture for purposes of qualifying activity
177  Equipment lessors
178  Equipment lessee has qualifying activity etc.
179  Equipment lessor has right to sever fixture that is not part of building
180  Equipment lease is part of affordable warmth programme

Equipment lessee has qualifying activity etc.

180A  Energy services providers
181  Purchaser of land giving consideration for fixture
182  Purchaser of land discharging obligations of equipment lessee
182A  Purchaser of land discharging obligations of client under energy services agreement

Equipment lessor has right to sever fixture that is not part of building

183  Incoming lessee where lessor entitled to allowances
184  Incoming lessee where lessor not entitled to allowances

Restrictions on amount of qualifying expenditure

185  Fixture on which a plant and machinery allowance has been claimed
186  Fixture on which an industrial buildings allowance has been made
186A  Fixtures on which a business premises renovation allowance has been made
187  Fixture on which a research and development allowance has been made
187A  Effect of changes in ownership of a fixture
187B  Section 187A: supplementary provision

Cessation of ownership of fixtures

188  Cessation of ownership when person ceases to have qualifying interest
189  Identifying the qualifying interest in special cases
190  Cessation of ownership of lessor where section 183 applies
191  Cessation of ownership on severance of fixture
192  Cessation of ownership of equipment lessor
192A  Cessation of ownership of energy services provider

Acquisition of ownership of fixture when another ceases to own it

193  Acquisition of ownership by lessor or licensor on termination of lease or licence
194  Acquisition of ownership by assignee of equipment lessor
195  Acquisition of ownership by equipment lessee
195A  Acquisition of ownership by assignee of energy services provider
195B  Acquisition of ownership by client

Disposal values

196  Disposal values in relation to fixtures: general
197  Disposal values in avoidance cases

Election to fix apportionment

198  Election to apportion sale price on sale of qualifying interest
199  Election to apportion capital sum given by lessee on grant of lease
200 Elections under sections 198 and 199: supplementary
201 Elections under sections 198 and 199: procedure

Further provisions

202 Interpretation
203 Amendment of returns etc.
204 Appeals etc.

CHAPTER 15
ASSET PROVIDED OR USED ONLY PARTLY FOR QUALIFYING ACTIVITY

205 Reduction of annual investment allowance and first-year allowances
206 Single asset pool etc.
207 Reduction of allowances and charges on expenditure in single asset pool
208 Effect of significant reduction in use for purposes of qualifying activity
208A Cars: disposal value in avoidance cases

CHAPTER 16
PARTIAL DEPRECIATION SUBSIDIES

209 Meaning of “partial depreciation subsidy”
210 Reduction of annual investment allowance and first-year allowances
211 Single asset pool etc.
212 Reduction of allowances and charges on expenditure in single asset pool

CHAPTER 16ZA
ASSET PROVIDED OR USED ONLY PARTLY FOR NI RATE ACTIVITY

212ZA Apportionment of expenditure incurred partly for NI rate activity
212ZB Single asset pool etc
212ZC Allowances and charges on expenditure in single asset pool
212ZD Effect of significant change in balance of use
212ZE Application of Chapter to partnerships
212ZF “Main rate activity”

CHAPTER 16A
RESTRICTIONS ON ALLOWANCE BUYING

Introduction

212A Scope of Chapter
212B Where Chapter applies

Qualifying change

212C When there is qualifying change in relation to C
212D Guide to sections explaining section 212C
212E Principal companies
212F When company is owned by consortium and consortium members
212G Qualifying 75% subsidiaries
212H Ownership proportion
212I Relevant percentage share

Relevant excess of allowances
212J Relevant excess of allowances
212K Relevant tax written-down value
212L Balance sheet value

Limiting conditions
212LA Limiting conditions

Unallowable purpose
212M Unallowable purpose

What happens when Chapter applies
212N Old and new accounting periods
212O When there is excess of allowances in pool: amount of excess
212P Effect of excess of allowances on pools
212Q When there are postponed capital allowances
212R Apportionment of proceeds of disposal of relevant plant and machinery
212S Transactions on relevant day

CHAPTER 16B
Cap on first-year allowances...
212T Cap on first-year allowances: zero-emission goods vehicles
212U Cap on first-year allowances: expenditure on plant and machinery for use in designated assisted areas

CHAPTER 17
Other anti-avoidance

Relevant transactions
213 Relevant transactions: sale, hire-purchase (etc.) and assignment

Restrictions on allowances
214 Connected persons
215 Transactions to obtain tax advantages
216 Sale and leaseback, etc.
217 No annual investment allowance or first-year allowance for B’s expenditure
218 Restriction on B’s qualifying expenditure: section 214 or 216
218ZA Restrictions on writing-down allowances: section 215
218ZB Disposal values: section 215
218A Further restriction on annual investment allowance
### Finance leases and certain operating leases

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>219</td>
<td>Meaning of “finance lease”</td>
</tr>
<tr>
<td>220</td>
<td>Allocation of expenditure to a chargeable period</td>
</tr>
</tbody>
</table>

### Sale and finance leasebacks

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>221</td>
<td>Meaning of “sale and finance leaseback”</td>
</tr>
<tr>
<td>222</td>
<td>Disposal value restricted</td>
</tr>
<tr>
<td>223</td>
<td>No first-year allowance for B’s expenditure</td>
</tr>
<tr>
<td>224</td>
<td>Restriction on B’s qualifying expenditure</td>
</tr>
<tr>
<td>225</td>
<td>B’s qualifying expenditure if lessor not bearing non-compliance risk</td>
</tr>
<tr>
<td>226</td>
<td>Qualifying expenditure limited in subsequent transactions</td>
</tr>
</tbody>
</table>

### Sale and leaseback: election for special treatment

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>227</td>
<td>Sale and leaseback: election for special treatment</td>
</tr>
<tr>
<td>228</td>
<td>Effect of election: relaxation of restriction on B’s qualifying expenditure, etc.</td>
</tr>
</tbody>
</table>

### Finance leaseback: parties’ income and profits

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>228A</td>
<td>Application of sections 228B and 228C</td>
</tr>
<tr>
<td>228B</td>
<td>S’s income or profits etc: deductions</td>
</tr>
<tr>
<td>228C</td>
<td>S’s income or profits: termination of leaseback</td>
</tr>
<tr>
<td>228D</td>
<td>Lessor’s income or profits</td>
</tr>
<tr>
<td>228E</td>
<td>Lessor’s income or profits: termination of leaseback</td>
</tr>
<tr>
<td>228F</td>
<td>Lease and finance leaseback</td>
</tr>
<tr>
<td>228G</td>
<td>Leaseback not accounted for as finance lease in S’s accounts</td>
</tr>
<tr>
<td>228H</td>
<td>Sections 228A to 228G: supplementary</td>
</tr>
<tr>
<td>228J</td>
<td>Plant or machinery subject to further operating lease</td>
</tr>
</tbody>
</table>

#### Disposal of plant or machinery subject to lease where income retained

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>228K</td>
<td>Disposal of plant or machinery subject to lease where income retained</td>
</tr>
<tr>
<td>228L</td>
<td>Determining the net present value of the rentals for purposes of s.228K</td>
</tr>
<tr>
<td>228M</td>
<td>Other definitions for the purposes of s.228K</td>
</tr>
<tr>
<td>228MA</td>
<td>Restriction of qualifying expenditure</td>
</tr>
<tr>
<td>228MB</td>
<td>Calculation of present value</td>
</tr>
<tr>
<td>228MC</td>
<td>Rental rebate</td>
</tr>
</tbody>
</table>

### Miscellaneous and supplementary

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>229</td>
<td>Hire-purchase etc.</td>
</tr>
<tr>
<td>229A</td>
<td>Transfer followed by hire-purchase etc: restrictions on hirer’s allowances</td>
</tr>
<tr>
<td>230</td>
<td>Exception for manufacturers and suppliers</td>
</tr>
<tr>
<td>231</td>
<td>Adjustments of assessments etc.</td>
</tr>
<tr>
<td>232</td>
<td>Meaning of connected person</td>
</tr>
<tr>
<td>233</td>
<td>Additional VAT liabilities and rebates</td>
</tr>
</tbody>
</table>

### Chapter 18

**Additional VAT liabilities and rebates**
Introduction

Additional VAT liability

235 Additional VAT liability treated as qualifying expenditure
236 Additional VAT liability generates first-year allowance or annual investment allowance
237 Exceptions to section 236

Additional VAT rebate

238 Additional VAT rebate generates disposal value
239 Limit on disposal value where additional VAT rebate

Short-life assets: balancing allowance

240 Additional VAT liability

Anti-avoidance

241 No annual investment allowance or first-year allowance in respect of additional VAT liability
242 Restriction on B's qualifying expenditure: general
243 Restriction on B's qualifying expenditure: sale and finance leaseback
244 B's qualifying expenditure if lessor not bearing non-compliance risk
245 Effect of election under section 227 on additional VAT liability
246 Miscellaneous

CHAPTER 19

GIVING EFFECT TO ALLOWANCES AND CHARGES

Trades

247 Trades

Property businesses

248 Ordinary UK property businesses
249 UK furnished holiday lettings businesses
250 Ordinary overseas property businesses
250A EEA furnished holiday lettings businesses

Activities analogous to trades

251 Professions and vocations
252 Mines, transport undertakings etc.

Companies with investment business

253 Companies with investment business

Long-term business

254 Introductory
255 Apportionment of allowances and charges
256 Different giving effect rules for BLAGAB
257 Supplementary

Special leasing of plant or machinery

258 Special leasing: income tax
259 Special leasing: corporation tax (general)
260 Special leasing: corporation tax (excess allowance)
261 Special leasing: long-term business
261A Special leasing: leasing partnerships

Employments and offices

262 Employments and offices

First-year tax credits

262A First-year tax credits

CHAPTER 20

SUPPLEMENTARY PROVISIONS

Co-ownership authorised contractual schemes

262AA Co-ownership schemes: carrying on qualifying activity
262AB Co-ownership schemes: election
262AC Co-ownership schemes: calculation of allowance after election
262AD Co-ownership schemes: effect of election for participants
262AE Co-ownership schemes: effect of election for purchasers
262AEA Co-ownership schemes: withdrawal of election
262AF Co-ownership schemes: definitions relating to schemes

Partnerships and successions

263 Qualifying activities carried on in partnership
264 Partnership using property of a partner
265 Successions: general
266 Election where predecessor and successor are connected persons
267 Effect of election
267A Restriction on effect of election
268 Successions by beneficiaries

Cars etc

268A Meaning of “car” and “motor cycle”
268B Electrically-propelled vehicles
268C Terms relating to emissions
268D Hire cars for disabled persons
268E Meaning of “assigns”

Miscellaneous

269 Use of plant or machinery for business entertainment
270 Shares in plant or machinery
PART 2A
STRUCTURES AND BUILDINGS ALLOWANCES

CHAPTER 1
INTRODUCTION

270AA Structures and buildings allowances
270AB Date on which construction begins

CHAPTER 2
QUALIFYING EXPENDITURE

Meaning of “qualifying expenditure”

270BA Meaning of “qualifying expenditure”

Qualifying expenditure incurred on construction

270BB Capital expenditure incurred on construction

Qualifying expenditure incurred on purchase

270BC Sale of unused buildings or structures (other than by a developer)
270BD Sale by a developer: unused buildings or structures
270BE Sale by a developer: used buildings or structures
270BF Meaning of references to carrying on trade as a developer

Excluded expenditure

270BG Acquisition or alteration of land etc
270BH Market value rule
270BI Provision of plant or machinery

Expenditure treated as expenditure on construction

270BJ Expenditure on renovation, conversion or incidental repairs
270BK Preparation of sites

Supplementary provision about expenditure

270BL Apportionment of sums partly referable to non-qualifying assets
270BM Evidence of the amount of expenditure
270BN Expenditure incurred before qualifying activity carried on

CHAPTER 3
QUALIFYING USE AND QUALIFYING ACTIVITIES

Qualifying activities

270CA Qualifying activities
270CB Property businesses
270CC Foreign permanent establishments
270CD Companies with investment business
Qualifying use

270CE Qualifying use
270CF Exclusion: residential use
270CG Use for the purposes of a property business

CHAPTER 4
THE RELEVANT INTEREST IN THE BUILDING OR STRUCTURE

270DA General rule as to what is the relevant interest
270DB Interest acquired on completion of construction
270DC Effect of creation of subordinate interest
270DD Leases granted for 35 years or more
270DE Merger of leasehold interest

CHAPTER 5
CALCULATING THE ALLOWANCE: SUPPLEMENTARY PROVISION

270EA Proportionate adjustment in certain cases
270EB Multiple uses
270EC Research and development

CHAPTER 6
HIGHWAY UNDERTAKINGS

270FA Carrying on of highway undertakings
270FB The relevant interest
270FC Cases where highway concession is to be treated as extended

CHAPTER 7
ADDITIONAL VAT LIABILITIES AND REBATES

Introduction

Additional VAT liabilities

270GB Additional VAT liabilities

Additional VAT rebates

270GC Additional VAT rebates

CHAPTER 8
GIVING EFFECT TO ALLOWANCES

Trades

270HA Trades
Property businesses
270HB Ordinary UK property businesses and ordinary overseas property businesses

Activities analogous to trades
270HC Professions and vocations
270HD Mines, transport undertakings etc

Companies with investment business
270HE Companies with investment business

Long-term business
270HF Application of sections 270HG and 270HH
270HG Apportionment of allowances
270HH Different giving effect rules for BLAGAB
270HI Supplementary

CHAPTER 9
SUPPLEMENTARY PROVISIONS
Evidence of qualifying expenditure etc
270IA Evidence of qualifying expenditure etc

Anti-avoidance
270IB Anti-avoidance: general

Co-ownership authorised contractual schemes
270IC Co-ownership schemes: carrying on qualifying activity
270ID Co-ownership schemes: election
270IE Co-ownership schemes: calculation of allowance after an election
270IF Co-ownership schemes: definitions relating to schemes

Leases
270IG Treatment of leases
270IH Meaning of “lease” etc

PART 3
INDUSTRIAL BUILDINGS ALLOWANCES

CHAPTER 1
INTRODUCTION
271 Industrial buildings allowances
272 Expenditure on the construction of a building
273 Preparation of sites for plant or machinery
CHAPTER 2

INDUSTRIAL BUILDINGS

Buildings in use for the purposes of a qualifying trade

274 Trades and undertakings which are “qualifying trades”
275 Building used for welfare of workers
276 Parts of trades and undertakings
277 Exclusion of dwelling-houses, retail shops, showrooms, hotels and offices etc.
278 Building used by more than one licensee

Qualifying hotels and sports pavilions

279 Qualifying hotels
280 Qualifying sports pavilions

Commercial buildings (enterprise zones)

281 Commercial buildings (enterprise zones)

Supplementary provisions

282 Buildings outside the United Kingdom
283 Non-industrial part of building disregarded
284 Roads on industrial estates etc.
285 Cessation of use and temporary disuse of building

CHAPTER 3

THE RELEVANT INTEREST IN THE BUILDING

286 General rule as to what is the relevant interest
287 Interest acquired on completion of construction
288 Effect of creation of subordinate interest
289 Merger of leasehold interest
290 Election to treat grant of lease exceeding 50 years as sale
291 Supplementary provisions with respect to elections

CHAPTER 4

QUALIFYING EXPENDITURE

Introduction

292 Meaning of “qualifying expenditure”
293 Meaning of references to carrying on a trade as a developer

Qualifying expenditure

294 Capital expenditure on construction of a building
295 Purchase of unused building where developer not involved
296 Purchase of building which has been sold unused by developer
297 Purchase of used building from developer
Qualifying enterprise zone expenditure

298 The time limit for qualifying enterprise zone expenditure
299 Application of section 294
300 Application of sections 295 and 296
301 Purchase of building within 2 years of first use

Part of expenditure within time limit for qualifying enterprise zone expenditure

302 Qualifying enterprise zone expenditure where section 295 or 296 applies
303 Purchase of building within 2 years of first use
304 Application of section 303 where developer involved

CHAPTER 5

INITIAL ALLOWANCES

305 Initial allowances for qualifying enterprise zone expenditure
306 Amount of initial allowance and period for which allowance made
307 Building not industrial building when first used etc.
308 Grants affecting entitlement to initial allowances

CHAPTER 6

WRITING-DOWN ALLOWANCES

309 Entitlement to writing-down allowance
310 Basic rule for calculating amount of allowance
311 Calculation of allowance after sale of relevant interest
312 Allowance limited to residue of qualifying expenditure
313 Meaning of “the residue of qualifying expenditure”
313A Calculation of allowance after sale of relevant interest: anti-avoidance

CHAPTER 7

BALANCING ADJUSTMENTS

General

314 When balancing adjustments are made
315 Main balancing events
316 Proceeds from main balancing events
317 Balancing event where hotel not qualifying hotel for 2 years

Calculation of balancing adjustments

318 Building an industrial building etc. throughout
319 Building not an industrial building etc. throughout
320 Overall limit on balancing charge

Meaning of “the relevant period of ownership” etc.

321 The relevant period of ownership
322 Starting expenditure
323 Adjusted net cost
324 Net allowances

Balancing allowances restricted where sale subject to subordinate interest

325 Balancing allowances restricted where sale subject to subordinate interest

326 Interpretation of section 325

Qualifying enterprise zone expenditure: effect of realising capital value

327 Capital value provisions: application of provisions

328 Balancing adjustment on realisation of capital value

329 Capital value that is attributable to subordinate interest

330 Exception for payments more than 7 years after agreement

331 Capital value provisions: interpretation

CHAPTER 8

WRITING OFF QUALIFYING EXPENDITURE

332 Introduction

333 Writing off initial allowances

334 Writing off writing-down allowances

335 Writing off research and development allowances

336 Writing off expenditure when building not an industrial building

337 Writing off or increase of expenditure where balancing adjustment made

338 Writing off capital value which has been realised

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

340 Treatment of demolition costs

CHAPTER 9

HIGHWAY UNDERTAKINGS

341 Carrying on of highway undertakings

342 The relevant interest

343 Balancing adjustment on ending of concession

344 Cases where highway concession is to be treated as extended

CHAPTER 10

ADDITIONAL VAT LIABILITIES AND REBATES

Introduction

Additional VAT liabilities

345 Introduction

346 Additional VAT liabilities and initial allowances

347 Additional VAT liabilities and writing-down allowances

348 Additional VAT liabilities and writing off initial allowances
Additional VAT rebates

349  Additional VAT rebates and writing-down allowances
350  Additional VAT rebates and balancing adjustments
351  Additional VAT rebates and writing off qualifying expenditure

CHAPTER 11
GIVING EFFECT TO ALLOWANCES AND CHARGES

352  Trades
353  Lessors and licensors
354  Buildings temporarily out of use
355  Buildings for miners etc.: carry-back of balancing allowances

CHAPTER 12
SUPPLEMENTARY PROVISIONS

356  Apportionment of sums partly referable to non-qualifying assets
357  Arrangements having an artificial effect on pricing
358  Requisitioned land
359  Provisions applying on termination of lease
360  Meaning of “lease” etc.

PART 3A
BUSINESS PREMISES RENOVATION ALLOWANCES

CHAPTER 1
INTRODUCTION

360A  Business premises renovation allowances

CHAPTER 2
QUALIFYING EXPENDITURE

360B  Meaning of “qualifying expenditure”
360BA Expenditure not treated as qualifying expenditure if delay in carrying out works etc

CHAPTER 3
QUALIFYING BUILDINGS AND QUALIFYING BUSINESS PREMISES

360C  Meaning of “qualifying building”
360D  Meaning of “qualifying business premises”
CHAPTER 4

THE RELEVANT INTEREST IN THE QUALIFYING BUILDING

360E  General rule as to what is the relevant interest
360F  Interest acquired on completion of conversion

CHAPTER 5

INITIAL ALLOWANCES

360G  Initial allowances
360H  Premises not qualifying business premises or relevant interest sold before premises first used or let

CHAPTER 6

WRITING-DOWN ALLOWANCES

360I  Entitlement to writing-down allowances
360J  Amount of allowance
360K  Meaning of “the residue of qualifying expenditure”

CHAPTER 7

GRANTS IN RESPECT OF QUALIFYING EXPENDITURE

360L  Grants affecting entitlement to allowances

CHAPTER 8

BALANCING ADJUSTMENTS

360M  When balancing adjustments are made
360N  Balancing events
360O  Proceeds from balancing events
360P  Calculation of balancing adjustments

CHAPTER 9

WRITING OFF QUALIFYING EXPENDITURE

360Q  Introduction
360R  Writing off initial allowances and writing-down allowances
360S  Treatment of demolition costs

CHAPTER 10

ADDITIONAL VAT LIABILITIES AND REBATES

360T  Introduction
360U  Additional VAT liabilities and initial allowances
360V  Additional VAT liabilities and writing-down allowances
360W Additional VAT liabilities and writing off initial allowances
360X Additional VAT rebates and balancing adjustments
360Y Additional VAT rebates and writing off qualifying expenditure

CHAPTER 11
SUPPLEMENTARY PROVISIONS

360Z Giving effect to allowances and charges: trades
360Z1 Giving effect to allowances and charges: lessors and licensees
360Z2 Apportionment of sums partly referable to non-qualifying assets
360Z3 Provisions applying on termination of lease
360Z4 Meaning of “lease” etc.

PART 4
AGRICULTURAL BUILDINGS ALLOWANCES

CHAPTER 1
INTRODUCTION

361 Agricultural buildings allowances
362 Meaning of “husbandry”
363 Expenditure on the construction of a building

CHAPTER 2
THE RELEVANT INTEREST

364 General rule as to what is the relevant interest
365 Effect of creation of subordinate lease
366 Interest conveyed or assigned by way of security
367 Merger of leasehold interest
368 Provisions applying on ending of lease

CHAPTER 3
QUALIFYING EXPENDITURE

369 Capital expenditure on construction of agricultural building
370 Purchase of relevant interest before first use of agricultural building
371 Different relevant interests in different parts of the related agricultural land

CHAPTER 4
WRITING-DOWN ALLOWANCES

372 Entitlement to writing-down allowance
373 Basic rule for calculating amount of allowance
374 First use of building not for purposes of husbandry, etc.
375 Effect of acquisition of relevant interest after first use of building
376 Calculation of allowance after acquisition
CHAPTER 5

BALANCING ADJUSTMENTS

General

When balancing adjustments are made
Balancing events (on making an election)
Requirements as to elections
Proceeds from balancing events
Exclusion of proportion of proceeds

Calculation of balancing adjustments

Calculation of balancing adjustment
The residue of qualifying expenditure
Overall limit on balancing charge
Acquisition of relevant interest in part of land, etc.
Balancing allowances restricted where sale subject to subordinate interest etc.
Interpretation of section 389

CHAPTER 6

SUPPLEMENTARY PROVISIONS

Giving effect to allowances and charges

Trades
UK property businesses

Meaning of “freehold interest”, “lease” etc.

Meaning of “freehold interest”, “lease”, etc.

PART 4A

FLAT CONVERSION ALLOWANCES

CHAPTER 1

INTRODUCTION

Flat conversion allowances

CHAPTER 2

QUALIFYING EXPENDITURE

Meaning of “qualifying expenditure”
CHAPTER 3
QUALIFYING BUILDINGS AND QUALIFYING FLATS

393C Meaning of “qualifying building”
393D Meaning of “qualifying flat”
393E High value flats

CHAPTER 4
THE RELEVANT INTEREST IN THE FLAT

393F General rule as to what is the relevant interest
393G Interest acquired on completion of conversion

CHAPTER 5
INITIAL ALLOWANCES

393H Initial allowances
393I Flat not qualifying flat or relevant interest sold before flat first let

CHAPTER 6
WRITING-DOWN ALLOWANCES

393J Entitlement to writing-down allowances
393K Amount of allowance
393L Meaning of “the residue of qualifying expenditure”

CHAPTER 7
BALANCING ADJUSTMENTS

393M When balancing adjustments are made
393N Balancing events
393O Proceeds from balancing events
393P Calculation of balancing adjustments

CHAPTER 8
WRITING OFF QUALIFYING EXPENDITURE

393Q Introduction
393R Writing off initial allowances and writing-down allowances
393S Treatment of demolition costs

CHAPTER 9
SUPPLEMENTARY PROVISIONS

393T Giving effect to allowances and charges
393U Apportionment of sums partly referable to non-qualifying assets
PART 5
MINERAL EXTRACTION ALLOWANCES

CHAPTER 1
INTRODUCTION

393V Provisions applying on termination of lease
393W Meaning of “lease” etc.

394 Mineral extraction allowances
395 Qualifying expenditure
396 Meaning of “mineral exploration and access”
397 Meaning of “mineral asset”
398 Relationship between main types of qualifying expenditure
399 Expenditure excluded from being qualifying expenditure

CHAPTER 2
QUALIFYING EXPENDITURE ON MINERAL EXPLORATION AND ACCESS

400 Qualifying expenditure on mineral exploration and access
401 Pre-trading exploration expenditure
402 Pre-trading expenditure on plant or machinery

CHAPTER 3
QUALIFYING EXPENDITURE ON ACQUIRING A MINERAL ASSET

403 Qualifying expenditure on acquiring a mineral asset
404 Exclusion of undeveloped market value of land
405 Qualifying expenditure where buildings or structures cease to be used
406 Reduction where premium relief previously allowed

CHAPTER 4
QUALIFYING EXPENDITURE: SECOND-HAND ASSETS

Assets reflecting expenditure on mineral exploration and access
407 Acquisition of mineral asset owned by previous trader
408 Acquisition of oil licence from non-trader
409 Acquisition of other assets from non-traders

Qualifying expenditure on assets limited by reference to historic costs
410 UK oil licence: limit is original licence payment
411 Assets generally: limit is residue of previous trader’s qualifying expenditure
412 Transfers of mineral assets within group: limit is initial group expenditure
413 Transfers of mineral assets within group: supplementary
CHAPTER 5

OTHER KINDS OF QUALIFYING EXPENDITURE

414 Expenditure on works likely to become valueless
415 Contribution to buildings or works for benefit of employees abroad
416 Non-ring fence trades: expenditure on restoration within 3 years of ceasing to trade
416ZA Ring fence trades: expenditure on site restoration
416ZB “Notional accounting period”
416ZC Site restoration services supplied by connected person
416ZD Restriction on allowance available
416ZE Allowance where site restoration undertaken for other participators in oil field

CHAPTER 5A

FIRST-YEAR QUALIFYING EXPENDITURE

General

416A First-year allowances available for certain types of qualifying expenditure

Types of expenditure which may qualify for first year allowances

416B Expenditure incurred by company for purposes of a ring fence trade

Supplementary

416C Time when expenditure is incurred

CHAPTER 6

ALLOWANCES AND CHARGES

First-year allowances

416D First-year allowances
416E Artificially inflated claims for first-year allowances

Writing-down and balancing allowances and balancing charges

417 Determination of entitlement or liability
418 Amount of allowances and charges

Unrelieved qualifying expenditure

419 Unrelieved qualifying expenditure
419A Unrelieved qualifying expenditure: entry to cash basis

Disposal values

420 Meaning of “disposal receipt”
421 Disposal of, or ceasing to use, asset
422 Use of asset otherwise than for permitted development etc.
423 Sections 421 and 422: amount of disposal value to be brought into account
424 Disposal value restricted in case of interest in land
425 Receipt of capital sum

**Cases in which a person is entitled to a balancing allowance**

426 Pre-trading expenditure
427 Giving up exploration, search or inquiry
428 Ceasing to work mineral deposits
429 Buildings etc. for benefit of employees abroad ceasing to be used
430 Disposal of asset, etc.
431 Discontinuance of trade
431A Foreign permanent establishment exemption
431B Disposal value: no allowance/no charge cases
431C Notional allowances
431D Persons leaving cash basis

**CHAPTER 7**

**SUPPLEMENTARY PROVISIONS**

432 Giving effect to allowances and charges
433 Treatment of demolition costs
434 Time when expenditure incurred
435 Shares in assets
436 Meaning of “development” etc.

**PART 6**

**RESEARCH AND DEVELOPMENT ALLOWANCES**

**CHAPTER 1**

**INTRODUCTION**

437 Research and development allowances
438 Expenditure on research and development

**CHAPTER 2**

**QUALIFYING EXPENDITURE**

439 Qualifying expenditure
439A Qualifying expenditure incurred for purposes of NI rate activity
440 Excluded expenditure: land

**CHAPTER 3**

**ALLOWANCES AND CHARGES**

441 Allowances
442 Balancing charges
443 Disposal values and disposal events
Disposal events: chargeable period for which disposal value is to be brought into account

Costs of demolition

CHAPTER 4

ADDITIONAL VAT LIABILITIES AND REBATES

Introduction
Additional VAT liability treated as additional expenditure etc.
Additional VAT rebate generates disposal value
Effect on balancing charges of additional VAT rebates in earlier chargeable periods

CHAPTER 5

SUPPLEMENTARY PROVISIONS

Giving effect to allowances and charges
Sales: time of cessation of ownership

PART 7

KNOW-HOW ALLOWANCES

CHAPTER 1

INTRODUCTION

Know-how allowances
Know-how as property

CHAPTER 2

QUALIFYING EXPENDITURE

Qualifying expenditure
Excluded expenditure

CHAPTER 3

ALLOWANCES AND CHARGES

Pooling of expenditure
Determination of entitlement or liability
Amount of allowances and charges
Available qualifying expenditure
Allocation of qualifying expenditure to pools
Unrelieved qualifying expenditure
Unrelieved qualifying expenditure: entry to cash basis
Disposal values
Persons leaving cash basis
Giving effect to allowances and charges
PART 8
PATENT ALLOWANCES

CHAPTER 1
INTRODUCTION

464 Patent allowances
465 Future patent rights
466 Grant of licences

CHAPTER 2
QUALIFYING EXPENDITURE

467 Qualifying expenditure
468 Qualifying trade expenditure
469 Qualifying non-trade expenditure

CHAPTER 3
ALLOWANCES AND CHARGES

470 Pooling of expenditure
471 Determination of entitlement or liability
472 Amount of allowances and charges
473 Available qualifying expenditure
474 Allocation of qualifying expenditure to pools
475 Unrelieved qualifying expenditure
475A Unrelieved qualifying expenditure: entry to cash basis
476 Disposal value of patent rights
477 Limit on amount of disposal value
477A Persons leaving cash basis

CHAPTER 4
GIVING EFFECT TO ALLOWANCES AND CHARGES

478 Persons having qualifying trade expenditure
479 Persons having qualifying non-trade expenditure: income tax
480 Persons having qualifying non-trade expenditure: corporation tax

CHAPTER 5
SUPPLEMENTARY PROVISIONS

481 Anti-avoidance: limit on qualifying expenditure
482 Sums paid for Crown use etc. treated as paid under licence
483 Meaning of “income from patents”

PART 9
DREDGING ALLOWANCES
Qualifying expenditure on dredging, etc.

484 Dredging allowances
485 Qualifying expenditure
486 Pre-trading expenditure of qualifying trades, etc.

Writing-down and balancing allowances

487 Writing-down allowances
488 Balancing allowances

Giving effect to allowances

489 Giving effect to allowances

PART 10

ASSURED TENANCY ALLOWANCES

CHAPTER 1

INTRODUCTION

490 Assured tenancy allowances
491 Allowances available in relation to old expenditure only
492 Meaning of “approved body”
493 Expenditure on the construction of a building

CHAPTER 2

THE RELEVANT INTEREST

Introduction

494 Introduction

The relevant interest in the building

495 General rule as to what is the relevant interest in the building
496 Interest acquired on completion of construction
497 Effect of creation of subordinate interest
498 Merger of leasehold interest
499 Provisions applying on termination of lease

The relevant interest in the dwelling-house

500 The relevant interest in the dwelling-house

CHAPTER 3

QUALIFYING EXPENDITURE

501 Capital expenditure on construction
502 Purchase of unused dwelling-house where developer not involved
503 Purchase of dwelling-house sold unused by developer
CHAPTER 4

QUALIFYING DWELLING-HOUSES

504 Requirements relating to the landlord
505 Qualifying dwelling-houses: exclusions
506 Dwelling-house ceasing to be qualifying dwelling-house

CHAPTER 5

WRITING-DOWN ALLOWANCES

Entitlement to and calculation of writing-down allowances

507 Entitlement to writing-down allowance
508 Basic rule for calculating amount of allowance
509 Calculation of allowance after sale of relevant interest
510 Allowance limited to residue of qualifying expenditure attributable to dwelling-house

Interpretation

511 Qualifying expenditure attributable to dwelling-house
512 Residue of qualifying expenditure attributable to dwelling-house

CHAPTER 6

BALANCING ADJUSTMENTS

General

513 When balancing adjustments are made
514 Balancing events
515 Proceeds from balancing events

Calculation of balancing adjustments

516 Dwelling-house a qualifying dwelling-house throughout
517 Dwelling-house not a qualifying dwelling-house throughout
518 Overall limit on balancing charge
519 Recovery of old initial allowances made on incorrect assumptions

Meaning of “the relevant period of ownership” etc.

520 The relevant period of ownership
521 Starting expenditure
522 Adjusted net cost

CHAPTER 7

WRITING OFF QUALIFYING EXPENDITURE ATTRIBUTABLE TO DWELLING-HOUSE

523 Introduction
524 Writing off initial allowances
525 Writing off writing-down allowances
526 Writing off expenditure for periods when building not used as qualifying dwelling-house
527 Writing off or increase of expenditure where balancing adjustment made
528 Treatment of demolition costs

CHAPTER 8

SUPPLEMENTARY PROVISIONS

529 Giving effect to allowances and charges
530 Apportionment of sums partly referable to non-qualifying assets
531 Meaning of “dwelling-house”, “lease” etc.

PART 11

CONTRIBUTIONS

CHAPTER 1

EXCLUSION OF EXPENDITURE MET BY CONTRIBUTIONS

Rules excluding contributions

532 The general rule excluding contributions
533 Exclusion of contributions to dredging

Exceptions to the general rule excluding contributions

534 Northern Ireland regional development grants
535 Insurance or compensation money
536 Contributions not made by public bodies and not eligible for tax relief

CHAPTER 2

CONTRIBUTION ALLOWANCES

Contribution allowances under Parts 2, 2A, 3, 4 and 5

537 Conditions for contribution allowances under Parts 2, 2A ... and 5
538 Plant and machinery
538A Buildings and structures
539 Industrial buildings
540 Agricultural buildings
541 Mineral extraction

Effect of transfers of C’s trade on contribution allowances under Parts 3, 4 and 5

542 Transfer of C’s trade ...

Contribution allowances under Part 9

543 Contribution allowances under Part 9
PART 12
SUPPLEMENTARY PROVISIONS

CHAPTER 1
LONG-TERM BUSINESS

544 Management assets
545 Investment assets

CHAPTER 2
ADDITIONAL VAT LIABILITIES AND REBATES: INTERPRETATION, ETC.

546 Introduction
547 “Additional VAT liability” and “additional VAT rebate”
548 Time when additional VAT liability or rebate is incurred or made
549 Chargeable period in which, and time when, additional VAT liability or rebate accrues
550 Apportionment of additional VAT liabilities and rebates
551 Supplementary

CHAPTER 3
DISPOSALS OF OIL LICENCES: PROVISIONS RELATING TO PARTS 5 AND 6

Introduction
552 Meaning of “oil licence” and “interest in an oil licence”

Oil licences relating to undeveloped areas
553 Consideration to be treated as nil
554 Circumstances in which oil licence relates to undeveloped area

Disposal of oil licence with exploitation value
555 Disposal of oil licence with exploitation value

Minor definitions
556 Minor definitions

CHAPTER 4
PARTNERSHIPS, SUCCESSIONS AND TRANSFERS

557 Application of sections 558 and 559
558 Effect of partnership changes
559 Effect of successions
560 Transfer of insurance company business
560A Transfers of trade without a change of ownership
561 Transfer or division of UK business
561A Transfer of asset by reason of cross-border merger
CHAPTER 5

MISCELLANEOUS

Apportionment

562 Apportionment where property sold together

Procedure for determining certain questions

563 Procedure for determining certain questions affecting one or more persons
564 Questions to which procedure in section 563 applies

Tax agreements for income tax purposes

565 Tax agreements for income tax purposes

Companies not resident in the United Kingdom

566 Companies not resident in the United Kingdom

Sales treated as being for alternative amount

567 Sales treated as being for alternative amount: introductory
568 Sales treated as being at market value
569 Election to treat sale as being for alternative amount
570 Elections: supplementary

Anti-avoidance

570A Avoidance affecting proceeds of balancing event

CHAPTER 6

FINAL PROVISIONS

Orders and regulations

570B Orders and regulations made by Treasury or Commissioners

General interpretation

571 Application of Act to parts of assets
572 References to sale of property and time of sale
573 Transfers treated as sales
574 Meaning of “control”
575 Meaning of “connected” persons
575A Section 575: supplementary
576 Meaning of “the Inland Revenue” etc.
577 Other definitions

Amendments, repeals, citation etc.

578 Consequential amendments
579 Commencement and transitional provisions and savings
580 Repeals
SCHEDULE A1 — First-year tax credits

Part 1 — ENTITLEMENT TO FIRST-YEAR TAX CREDITS

Entitlement to first-year tax credits

1 (1) A company may claim a first-year tax credit for...

Amount of first-year tax credit

2 (1) The amount of the first-year tax credit to which...

Meaning of “relevant first-year expenditure”

3 (1) In this Schedule “ relevant first-year expenditure ” means...

Incurring a loss in carrying on a qualifying activity

4 Paragraphs 5 to 9 apply for the interpretation of paragraph...
5 (1) This paragraph applies where the qualifying activity is an...
6 (1) This paragraph applies where the qualifying activity is an...
7 (1) This paragraph applies where — (a) the qualifying activity is...
8 (1) This paragraph applies where the qualifying activity is managing...
9 (1) This paragraph applies where the qualifying activity is basic...

Unrelieved loss

10 Paragraphs 11 to 16 apply for the interpretation of paragraph...
11 (1) This paragraph applies where the qualifying activity is a...
12 (1) This paragraph applies where the qualifying activity is an...
13 (1) This paragraph applies where the qualifying activity is an...
14 (1) This paragraph applies where — (a) the qualifying activity is...
15 (1) This paragraph applies where the qualifying activity is managing...
16 (1) This paragraph applies where the qualifying activity is basic...

Total amount of company’s PAYE and NICs liabilities

17 (1) For the purposes of paragraph 2(2)(a) the total amount...

Part 2 — GIVING EFFECT TO FIRST-YEAR TAX CREDITS

Payment in respect of first-year tax credit

18 (1) Where a company is entitled to a first-year tax...

Restriction on losses carried forward

19 (1) For the purposes of the relieving provisions (see paragraph...
20 The relieving provisions are — (a) where the qualifying activity is...
21 (1) This paragraph applies if the qualifying activity is an...
22 (1) This paragraph applies where the qualifying activity is basic...
Payment in respect of first-year tax credit not income

23 A payment in respect of a first-year tax credit is...

Part 3 — CLAWBACK OF FIRST-YEAR TAX CREDIT

Circumstances in which first-year tax credit clawed back

24 (1) This paragraph applies where— (a) a company to which...

Interpretation

25 (1) This paragraph applies for the interpretation of this Part...

Amount of restored loss

26 (1) The amount of the restored loss is— ( L.S...

Clawback of first-year tax credits: administrative provision

27 (1) Where paragraph 24 applies, all such assessments and adjustments...

Part 4 — SUPPLEMENTARY

Artificially inflated claims

28 (1) To the extent that a transaction is attributable to...

Interpretation

29 In this Schedule— “ HMRC ” means the Commissioners for...

Schedule 1 — Abbreviations and defined expressions

Part 1 — ABBREVIATIONS

Part 2 — DEFINED EXPRESSIONS

Schedule 2 — Consequential amendments

The Taxes Management Act 1970 (c. 9)

1 Section 42 (procedure for making claims etc.)
2 Section 57 (regulations about appeals)
3 Section 58 (proceedings in tax cases in Northern Ireland)
4 Section 98 (special returns, etc.)

The Finance Act 1982 (c. 39)

6 Section 137 (expenditure met by regional development plans to be disregarded for certain purposes)

The London Regional Transport Act 1984 (c. 32)

7 Schedule 5 (transitional provisions and savings)

The Films Act 1985 (c. 21)

8 Section 6 (certification of films as British films)
9 Schedule 1 (certification of films as British films)
The Trustee Savings Banks Act 1985 (c. 58)

10 Schedule 2 (taxation)

The Income and Corporation Taxes Act 1988 (c. 1)

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29 Section 384 (restrictions on right of set-off)
30
31
32
33
34
35
36
37
38
39 Sections 434D and 434E (capital allowances: management assets; investment assets)
40
41
42
43
44 Sections 520 to 523 (patents)
45
46
47 Section 530 (disposal of know-how)
48
49
50
51
52
53
54
55
56
57
| 58 | Section 831 (interpretation of Act) |
| 59 | Section 834 (interpretation of the Corporation Tax Acts) |
| 60 | Schedule 18 (group relief) |
| 61 | Schedule 19AC (modification of Act in relation to overseas life insurance companies) |
| 62 | Schedule 21 (tax relief in connection with schemes for rationalising industry and other redundancy schemes) |
| 63 | Schedule 24 (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies) |

The Finance Act 1988 (c. 39)

| 69 | Schedule 12 (building societies: change of status) |

The Finance Act 1989 (c. 26)

| 70 | Schedule 11 (taxation provisions) |

The Electricity Act 1989 (c. 29)

| 71 | Section 126 (pools payments for football ground improvements) |

The Finance Act 1990 (c. 29)

| 72 | Section 78 (sharing of transmission facilities) |

The Social Security Contributions and Benefits Act 1992 (c. 4)

| 73 | Schedule 2 (levy of Class 4 contributions with income tax) |

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

| 74 | Schedule 2 (levy of Class 4 contributions with income tax) |

The Taxation of Chargeable Gains Act 1992 (c. 12)

| 77 | Section 37 (consideration chargeable to tax on income) |
| 78 | Section 41 (restriction of losses by reference to capital allowances etc.) |
| 79 | Section 195 (allowance of certain drilling expenditure) |
| 80 | Section 288 (interpretation) |
| 81 | Schedule 3 (assets held on 31st March 1982) |

The Finance (No. 2) Act 1992 (c. 48)

| 82 | New sections 40A to 40D (films) |
| 83 | Section 41 (relief for preliminary expenditure) |
| 84 | Section 42 (relief for production or acquisition expenditure) |
85  Section 43 (interpretation of sections 41 and 42)
86  Schedule 17 (Northern Ireland electricity)

The Finance Act 1993 (c. 34)

88  Section 92 (the basic rule: sterling to be used)
89  Section 93 (use of currency other than sterling)

The Agriculture Act 1993 (c. 37)

90  Schedule 2 (provisions relating to carrying out approved schemes or reorganisation)

The Finance Act 1994 (c. 9)

91  Schedule 24 (provisions relating to the Railways Act 1993)
92  Schedule 25 (Northern Ireland Airports Limited)

The Coal Industry Act 1994 (c. 21)

93  Schedule 4 (taxation provisions)

The Atomic Energy Authority Act 1995 (c. 37)

94  Schedule 3 (taxation provisions)

The Finance Act 1996 (c. 8)

95  Section 151 (benefits under pilot schemes)
96  

The Broadcasting Act 1996 (c. 55)

97  Schedule 7 (transfer schemes relating to BBC transmission network: taxation provisions)

The Finance Act 1997 (c. 16)

98  Schedule 12 (leasing arrangements: finance leases and loans)

The Finance (No. 2) Act 1997 (c. 58)

99  Section 48 (films: relief for production or acquisition expenditure)

The Finance Act 1998 (c. 36)

100  Section 117 (company tax returns, assessments and related matters)
101  
102  Schedule 18 (company tax returns, assessments and related matters)

The Finance Act 1999 (c. 16)

104  

The Greater London Authority Act 1999 (c. 29)

105  Schedule 33 (taxation)
The Finance Act 2000 (c. 17)

106 Section 105 (corporation tax: use of currencies other than sterling)
107 Schedule 22 (tonnage tax)

The Transport Act 2000 (c. 38)

109 Schedule 26 (transfers: tax)

   Schedule 3 — Transitionals and savings
      Part 1 — CONTINUITY OF THE LAW
1   The repeal of provisions and their enactment in a rewritten...
2   Paragraph 1— (a) does not apply to any change in...
3   Any subordinate legislation or other thing which—
4   Any reference (express or implied) in any enactment, instrument or...
5   Any reference (express or implied) in any enactment, instrument or...
6   Paragraphs 1 to 5 have effect instead of section 17(2)...
7   Paragraphs 4 and 5 apply only in so far as...
      Part 2 — CHANGES IN THE LAW
8   (1) This paragraph applies where, in the case of any...
      Part 3 — GENERAL

Capital expenditure

9 Subsections (2) and (3) of section 4 apply with the...

Exclusion of double relief

10 Section 9 does not apply in relation to expenditure incurred...
      Part 4 — PLANT AND MACHINERY ALLOWANCES

Introduction

11 Use for qualifying activity of plant or machinery provided for other purposes
12 Use for qualifying activity of plant or machinery which is a gift

Qualifying expenditure

13 Buildings, structures and land

   First-year qualifying expenditure

14

Hire-purchase and similar contracts

15 Plant or machinery acquired under hire purchase etc.
16 Plant or machinery on hire purchase etc.: fixtures
17 Plant or machinery provided by lessee

Computer software

18 Software and rights to software
Cars, etc.

Long-life assets

20 Long-life asset expenditure

Overseas leasing

21 Meaning of “overseas leasing”
22 Recovery of first-year allowances in case of joint lessees
23 Letting ships or aircraft to obtain old first-year allowance not a qualifying purpose

Ships: deferments etc.

24 Further registration requirement

Mining and oil industries

25 Pre-trading expenditure on mineral exploration and access
26 Abandonment expenditure incurred before cessation of ring fence trade
27 Abandonment expenditure incurred after cessation of ring fence trade
28 Oil production sharing contracts

Fixtures

29 Meaning of “interest in land” for purposes of Chapter 14 of Part 2 (fixtures)
30 Equipment lessors
31 Equipment lessee has qualifying activity etc.
32 Equipment lessor has right to sever fixture that is not part of building
33 Equipment lease is part of affordable warmth programme
34 Purchaser of land giving consideration for fixture
35 Purchaser of land discharging obligations of equipment lessee
36 Incoming lessee where lessor entitled to allowances
37 Incoming lessee where lessor not entitled to allowances
38 Fixture on which a plant and machinery allowance has been claimed
39 Fixture on which industrial buildings allowance has been made
40 Fixture on which research and development allowance has been made
41 Disposal value in relation to fixtures: general

Assets provided or used only partly for qualifying activity

42 Effect of significant reduction in use for purposes of qualifying activity

Anti-avoidance

43 Relevant transactions: sale, hire-purchase (etc.) and assignment
44 Hire purchase etc. and finance leases
45 Sale and finance leasebacks

Additional VAT liabilities and rebates

46
47
48
49
50
51

Supplementary provisions
52 Successions by beneficiaries
53 Subsections (6) and (7) of section 268 do not apply...

General
54 Vehicles provided by employees in 1990-91
55 Certain expenditure incurred before 6th April 1976
Part 5 — INDUSTRIAL BUILDINGS ALLOWANCES

Industrial buildings
56 Bridge undertakings
57 Building used by more than one licensee
58 Qualifying hotels
59 Non-industrial part of building disregarded

Qualifying expenditure
60 Purchase of used building from developer
61 Qualifying enterprise zone expenditure
62 Sections 301, 303 and 304 do not apply in relation...
63 If— (a) the relevant interest in a building was sold...

Initial allowances
64 Building occupied by qualifying licensee
65 Grants affecting entitlement to initial allowances

Writing-down allowances
66 Basic rule for calculating amount of allowance
67 Calculation of amount after relevant event

Balancing adjustments
68 When balancing adjustments are made
69 Net allowance given
70 For the purposes of section 324 an allowance is treated...
71 Balancing adjustment on realisation of capital value

Writing off qualifying expenditure
72 Writing off qualifying expenditure when building not an industrial building
73 Crown or other person not within the charge to tax entitled to the relevant interest

Highway undertakings
74 Special provisions relating to highway concessions
Additional VAT liabilities and rebates

75 Additional VAT liabilities and initial allowances: 1992-93 cases
76 Additional VAT liabilities and initial allowances: further case
77 1992-93 qualifying expenditure

Supplementary provisions

78 Arrangements having an artificial effect on pricing

General

79 Expenditure on preparatory work on land where building used before 6th April 1956
80 Overall limit on balancing charge
81 Meaning of “freehold interest in land” for purposes of Part 4
82 Exclusion of expenditure incurred before 1st April 1986
83 The writing-down period

Qualifying expenditure on acquiring a mineral asset

84 Qualifying expenditure where buildings or structures cease to be used

Qualifying expenditure: second-hand assets

85 Claims before 26th November 1996 in respect of acquisition of mineral asset owned by previous trader
86 Acquisition of oil licence from non-trader before 13th September 1995
87 Restrictions on qualifying expenditure in case of UK oil licence and certain other assets inapplicable for expenditure pre-16th July 1985
88 Expenditure incurred pre-1st April 1986

Validating expenditure partly on research and development

89 References to research and development in relation to new trades
90 Disposal of oil licences

Expenditure incurred before 1st April 1986

91 Disposal of oil licences

Supplementary provisions

92 Scope of paragraphs 93 to 101
93 Qualifying expenditure and unrelieved qualifying expenditure
94 Entitlement to writing-down allowances
95 The writing-down period
96 Calculation of writing-down allowances
97 End of writing-down allowances
98 Reduced writing-down allowance
99 Balancing allowance on sale or expiry of patent rights
100 Balancing charges
101 Giving effect to allowances and charges
103 Writing-down allowances
104 Balancing allowances
105 The writing-down period
   Part 11 — CONTRIBUTIONS
106 Regional development grants
107 Contributions not made by public bodies and not eligible for tax relief
108 Conditions for allowances
109 Agricultural buildings
110 Sections 368, 375 and 379 apply with the necessary modifications,...
   Part 12 — SUPPLEMENTAL
111 Transfer of insurance company business
112 Election regarding sale consideration
   Part 13 — OTHER ENACTMENTS
113 (1) Subsections (2) and (3) of section 578A of ICTA...
114 Paragraph 18A of Schedule 30 to ICTA (transitional provisions and...
115 The repeals made by CAA 1990 do not have effect...
116 (1) Sections 40A to 40D of F(No.2)A 1992 (films) apply...
117 Section 40D of F(No.2)A 1992 (election relating to tax treatment...
Changes to legislation:
Capital Allowances Act 2001 is up to date with all changes known to be in force on or before 26 January 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to:
- s. 29(2)-(6) repealed by S.I. 2006/1254 (N.I.) Sch. 3 para. 24(a)Sch. 4 (S. 29 was repealed before this effect came into force.)
- s. 51G(7) words substituted by S.I. 2019/689 reg. 10(2)
- s. 104(1) word omitted by 2012 c. 14 s. 45(4)(a) (S. 104 was treated as repealed before this effect came into force.)
- s. 201(6) words inserted by 2017 c. 32 Sch. 14 para. 33
- s. 266(8) words substituted by S.I. 2019/689 reg. 10(3)
- s. 268D(2)(a) repealed by S.I. 2015/2006 (N.I.) Sch. 12 Pt. 8
- s. 268D(2)(a)(i) repealed by 2012 c. 5 Sch. 14 Pt. 9
- s. 560(3) words substituted by S.I. 2019/689 reg. 10(4)
- s. 561(1)(a) words substituted by S.I. 2019/689 reg. 10(5)(a)(i)
- s. 561(1)(a) words substituted by S.I. 2019/689 reg. 10(5)(a)(ii)
- s. 561(4) words substituted by S.I. 2019/689 reg. 10(5)(b)
- s. 564(4) words substituted by S.I. 2019/689 reg. 10(6)
- s. 567(5) words substituted by S.I. 2019/689 reg. 10(7)
- s. 573(4) words substituted by S.I. 2019/689 reg. 10(8)
- Sch. A1 para. 17(1)(b) word inserted by 2012 c. 5 Sch. 3 para. 14 (Sch. A1 is repealed by Finance Act 2019 (c. 1), s. 33(1)(c))
- Sch. A1 para. 17(1)(a) words repealed by 2012 c. 5 Sch. 14 Pt. 1 (Sch. A1 is repealed by Finance Act 2019 (c. 1), s. 33(1)(c))
- Sch. A1 para. 17(1)(b) words repealed by 2012 c. 5 Sch. 14 Pt. 1 (Sch. A1 is repealed by Finance Act 2019 (c. 1), s. 33(1)(c))

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):
- s. 29(1A) inserted by S.I. 2006/1254 (N.I.) Sch. 3 para. 24(b) (S. 29 was repealed before this effect came into force.)
- s. 104(3A) inserted by 2012 c. 14 s. 45(4)(b) (S. 104 was treated as repealed before this effect came into force.)
- s. 561(4A) inserted by S.I. 2019/689 reg. 10(5)(c)
- s. 774E(5)(b) words omitted by 2008 c. 9 Sch. 20 para. 12(11)