



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 15

ASSET PROVIDED OR USED ONLY PARTLY FOR QUALIFYING ACTIVITY

205 Reduction of [^{F1}annual investment allowance and] first-year allowances

- (1) If it appears that a person carrying on a qualifying activity has incurred expenditure on the provision of plant or machinery—
 - (a) partly for the purposes of the qualifying activity, and
 - (b) partly for other purposes,any [^{F2}annual investment allowance or] first-year allowance to which he is entitled in respect of the expenditure must be reduced to an amount which is just and reasonable having regard to the relevant circumstances.
- (2) The relevant circumstances include, in particular, the extent to which it appears that the plant or machinery is likely to be used for purposes other than those of the qualifying activity in question.
- (3) In calculating for the purposes of section 58 the balance left after deducting a first-year allowance, a reduction under subsection (1) is to be disregarded.

Textual Amendments

- F1** Words in s. 205 heading inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 6\(3\)](#)
- F2** Words in s. 205(1) inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 6\(2\)](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 15. (See end of Document for details)

206 Single asset pool etc.

- (1) Qualifying expenditure to which this subsection applies, if allocated to a pool, must be allocated to a single asset pool.
- (2) Subsection (1) applies to qualifying expenditure incurred by a person carrying on a qualifying activity—
 - (a) partly for the purposes of the qualifying activity, and
 - (b) partly for other purposes.
- (3) If a person is required to bring a disposal value into account in a pool for a chargeable period because the plant or machinery begins to be used partly for purposes other than those of the qualifying activity, an amount equal to that disposal value is allocated (as expenditure on the plant or machinery) to a single asset pool for that chargeable period.
- (4) In the case of a single asset pool under subsection (1), there is no final chargeable period or disposal event merely because the plant or machinery begins to be used partly for purposes other than those of the qualifying activity.

207 Reduction of allowances and charges on expenditure in single asset pool

- (1) This section applies if a person's expenditure is in a single asset pool under section 206(1) or (3).
- (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) The relevant circumstances include, in particular, the extent to which it appears that the plant or machinery was used in the chargeable period in question for purposes other than those of the person's qualifying activity.
- (4) 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.
- (5) If a person entitled to a writing-down allowance for a chargeable period—
 - (a) does not claim the allowance, or
 - (b) claims less than the full amount of the allowance,
 the unrelieved qualifying expenditure carried forward from the period is to be treated as not reduced or (as the case may be) only proportionately reduced.

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

- (1) This section applies if—
 - (a) expenditure is allocated to a single asset pool under this Chapter,
 - (b) there is such a change of circumstances as would make it appropriate for any reduction falling to be made under section 207—
 - (i) for the chargeable period in which the change takes place (“the relevant chargeable period”), or

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- (ii) for any subsequent chargeable period,
to represent a larger proportion of the amount reduced than would have been appropriate apart from the change,
 - (c) no disposal value in respect of the plant or machinery would, apart from this section, fall to be brought into account for the relevant chargeable period, and
 - (d) the market value of the plant or machinery at the end of the relevant chargeable period exceeds the available qualifying expenditure in that pool for that period by more than £1 million.
- (2) If this section applies—
- (a) a disposal value is required to be brought into account in the single asset pool for the relevant chargeable period, and
 - (b) section 206 applies as if, at the beginning of the following chargeable period, expenditure had been incurred on the provision of the plant or machinery of an amount equal to the disposal value brought into account as a result of paragraph (a).

Modifications etc. (not altering text)

- C1** S. 208(1) modified by 1993 c. 34, s. 93A(6) (as inserted (with effect as mentioned in s. 80(2) of the inserting Act) by Finance Act 2002 (c. 23), s. 80, Sch. 24 para. 4) (with Sch. 23 para. 25))

[^{F3}208A Cars: disposal value in avoidance cases

- (1) This section applies if—
- (a) a disposal value is required to be brought into account under section 61,
 - (b) the disposal event is that the person ceases to own a section 206 car because of a sale or the performance of a contract, and
 - (c) allowances under this Part in respect of the person's expenditure under that transaction are restricted under section 217 or 218 (anti-avoidance).
- (2) A car is a section 206 car if expenditure on the provision of the car is required to be allocated to a single asset pool under that section.
- (3) The disposal value to be brought into account is—
- (a) the market value of the car at the time of the disposal event, or
 - (b) if less, the capital expenditure incurred, or treated as incurred, on the provision of the car by the person disposing of it.
- (4) 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 (3).
- (5) In this section “car” has the meaning given in section 268A.]

Textual Amendments

- F3** S. 208A inserted (with effect in accordance with Sch. 11 paras. 26-28 to the amending Act) by Finance Act 2009 (c. 10), Sch. 11 para. 10 (with Sch. 11 paras. 30-32)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 15.