



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 3

#### INDUSTRIAL BUILDINGS ALLOWANCES

### CHAPTER 4

#### QUALIFYING EXPENDITURE

#### *Qualifying expenditure*

#### **294 Capital expenditure on construction of a building**

If—

- (a) capital expenditure is incurred on the construction of a building, and
- (b) the relevant interest in the building has not been sold or, if it has been sold, it has been sold only after the first use of the building,

the capital expenditure is qualifying expenditure.

#### **295 Purchase of unused building where developer not involved**

(1) This section applies if—

- (a) expenditure is incurred on the construction of a building,
- (b) the relevant interest in the building is sold before the building is first used,
- (c) a capital sum is paid by the purchaser for the relevant interest, and
- (d) section 296 (purchase of building which has been sold unused by developer) does not apply.

(2) The lesser of—

- (a) the capital sum paid by the purchaser for the relevant interest, and
- (b) the expenditure incurred on the construction of the building,

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*Status: This is the original version (as it was originally enacted).*

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is qualifying expenditure.

- (3) The qualifying expenditure is to be treated as incurred by the purchaser when the capital sum became payable.
- (4) If the relevant interest is sold more than once before the building is first used, subsection (2) has effect only in relation to the last of those sales.

## **296 Purchase of building which has been sold unused by developer**

- (1) This section applies if—
  - (a) expenditure is incurred by a developer on the construction of a building, and
  - (b) the relevant interest in the building is sold by the developer in the course of the development trade before the building is first used.
- (2) If—
  - (a) the sale of the relevant interest by the developer was the only sale of that interest before the building is used, and
  - (b) a capital sum is paid by the purchaser for the relevant interest, the capital sum is qualifying expenditure.
- (3) If—
  - (a) the sale by the developer was not the only sale before the building is used, and
  - (b) a capital sum is paid by the purchaser for the relevant interest on the last sale, the lesser of that capital sum and the price paid for the relevant interest on its sale by the developer is qualifying expenditure.
- (4) The qualifying expenditure is to be treated as incurred by the purchaser when the capital sum referred to in subsection (2)(b) or (3)(b) became payable.

## **297 Purchase of used building from developer**

- (1) This section applies if—
  - (a) expenditure is incurred by a developer on the construction of a building, and
  - (b) the relevant interest is sold by the developer in the course of the development trade after the building has been used.
- (2) This Part has effect in relation to the person to whom the relevant interest is sold as if—
  - (a) the expenditure on the construction of the building had been qualifying expenditure,
  - (b) all appropriate writing-down allowances had been made to the developer, and
  - (c) any appropriate balancing adjustment had been made on the occasion of the sale.
- (3) This section is subject to sections 301 and 303 (purchase of building in enterprise zone within 2 years of first use).