



# Taxation of Chargeable Gains Act 1992

## 1992 CHAPTER 12

### PART II

#### GENERAL PROVISIONS RELATING TO COMPUTATION OF GAINS AND ACQUISITIONS AND DISPOSALS OF ASSETS

### CHAPTER III

#### COMPUTATION OF GAINS: GENERAL PROVISIONS

##### *Re-basing to 1982, and assets held on 6th April 1965*

#### **35 Assets held on 31st March 1982 (including assets held on 6th April 1965).**

- (1) This section applies to a disposal of an asset which was held on 31st March 1982 by the person making the disposal.
- (2) [<sup>F1</sup>In] computing for the purpose of this Act the gain or loss accruing on the disposal it shall be assumed that the asset was on 31st March 1982 sold by the person making the disposal, and immediately reacquired by [<sup>F2</sup>that person], at its market value on that date.

[<sup>F3</sup>(2A) For the purposes of corporation tax, subsection (2) above has effect subject to subsections (3) to (8) below (and see also subsections (9) and (10)).]

- (3) Subject to subsection (5) below, subsection (2) above shall not apply to a disposal—
  - (a) where a gain would accrue on the disposal to the person making the disposal if that subsection did apply, and either a smaller gain or a loss would so accrue if it did not,
  - (b) where a loss would so accrue if that subsection did apply, and either a smaller loss or a gain would accrue if it did not,
  - (c) where, either on the facts of the case or by virtue of Schedule 2, neither a gain nor a loss would accrue if that subsection did not apply, <sup>F4</sup>...

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- [<sup>F5</sup>(ca) where, by virtue of section 195B, 195C or 195E, neither a gain nor a loss accrues to the person making the disposal, or]
- (d) where neither a gain nor a loss would accrue by virtue of any of [<sup>F6</sup>the no gain/no loss provisions.]
- [<sup>F7</sup>(4) Where in the case of a disposal of an asset—
- (a) the effect of subsection (2) above would be to substitute a loss for a gain or a gain for a loss, but
- (b) the application of subsection (2) is excluded by subsection (3),
- it shall be assumed in relation to the disposal that the asset was acquired by the person making the disposal for a consideration such that, on the disposal, neither a gain nor a loss accrues to [<sup>F8</sup>that person].
- (5) If a person so elects, disposals made by [<sup>F9</sup>that person] (including any made by [<sup>F9</sup>that person] before the election) shall fall outside subsection (3) above (so that subsection (2) above is not excluded by that subsection).
- (6) An election by a person under subsection (5) above shall be irrevocable and shall be made by notice to [<sup>F10</sup>an officer of the Board] at any time before 6th April 1990 or at any time during the period beginning with the day of the first relevant disposal and ending—
- [<sup>F11</sup>(a) <sup>F12</sup>.....
- (aa) <sup>F13</sup>... 2 years after the end of the accounting period in which the disposal is made; or
- (b) <sup>F14</sup>... at such later time as the Board may allow;]
- and “the first relevant disposal” means the first disposal to which this section applies which is made by the person making the election.
- (7) An election made by a person under subsection (5) above in one capacity does not cover disposals made by [<sup>F15</sup>that person] in another capacity.
- (8) All such adjustments shall be made, whether by way of discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to an election under subsection (5) above.
- (9) Schedule 2 shall have effect [<sup>F16</sup>for the purposes of corporation tax] in relation to disposals of assets owned on 6th April 1965 in cases where neither subsection (2) nor subsection (4) above applies.
- (10) Schedule 3, which contains provisions supplementary to subsections (1) to (8) above, shall have effect [<sup>F17</sup>for the purposes of capital gains tax and corporation tax].]

#### Textual Amendments

- F1** Word in s. 35(2) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 2 para. 58\(2\)\(a\)](#)
- F2** Words in s. 35(2) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 2 para. 58\(2\)\(b\)](#)
- F3** S. 35(2A) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 2 para. 58\(3\)](#)
- F4** Word in s. 35(3)(c) omitted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), Sch. 40 para. 2\(a\)](#)

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- F5** S. 35(3)(ca) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 2\(b\)](#)
- F6** Words in s. 35(3)(d) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(4\)](#)
- F7** S. 35(3)(d)(xvi) inserted (E.W.S.) (8.6.2005 for specified purposes, 24.7.2005 in so far as not already in force) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 33](#); [S.I. 2005/1444](#), art. 2(1), [Sch. 1](#); [S.I. 2005/1909](#), art. 2, [Sch.](#)
- F8** Words in s. 35(4) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(5\)](#)
- F9** Words in s. 35(5) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(6\)](#)
- F10** Words in s. 35(6) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 21 para. 35\(a\)](#)
- F11** S. 35(6)(a)(aa)(b) substituted for s. 35(6)(a)(b) (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 21 para. 35\(b\)](#)
- F12** S. 35(6)(a) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(a\)](#)
- F13** Words in s. 35(6)(aa) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(b\)](#)
- F14** Words in s. 35(6)(b) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(c\)](#)
- F15** Words in s. 35(7) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(8\)](#)
- F16** Words in s. 35(9) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(9\)](#)
- F17** Words in s. 35(10) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(10\)](#)

### **[<sup>F18</sup>35A Disposal of asset acquired on no gain/no loss disposal**

- (1) This section applies for the purposes of capital gains tax in relation to a disposal of an asset if—
  - (a) the person making the disposal acquired the asset after 31 March 1982 and before 6 April 2008,
  - (b) the disposal by which the person acquired the asset (“the relevant disposal”), and any previous disposal of the asset after 31 March 1982, was a disposal on which, by virtue of any enactment, neither a gain nor a loss accrued to the person making the disposal, and
  - (c) section 35(2) did not apply to the relevant disposal.
- (2) It is to be assumed that section 35(2) did apply to the relevant disposal (and that section 56(2) applied to the relevant disposal accordingly).]

#### **Textual Amendments**

- F18** S. 35A inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 59](#)

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### 36 **Deferred charges on gains before 31st March 1982.**

Schedule 4, which provides for the reduction of a deferred charge to [<sup>F19</sup>corporation tax in respect of chargeable gains] where the charge is wholly or partly attributable to an increase in the value of an asset before 31st March 1982, shall have effect.

#### **Textual Amendments**

**F19** Words in s. 36 substituted (with effect in accordance with Sch. 2 para. 76 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 2 para. 73](#)

#### *Allowable deductions*

### 37 **Consideration chargeable to tax on income.**

- (1) There shall be excluded from the consideration for a disposal of assets taken into account in the computation of the gain any money or money's worth charged to income tax as income of, or taken into account as a receipt in computing income or profits or gains or losses of, the person making the disposal for the purposes of the Income Tax Acts.
- [<sup>F20</sup>(1A) There is to be excluded from the consideration for a disposal of an asset taken into account in the computation of the gain a sum equal to any amount that is taken into account by the person making the disposal as a receipt under section 96A or 307E of ITTOIA 2005 (capital receipts under, or after leaving, cash basis) as a result of the operation of any deemed disposal provision in relation to the asset.
- (1B) But subsection (1A) applies only to the extent that the sum has not been excluded from the consideration for an earlier disposal of the asset.
- (1C) The following are “deemed disposal provisions”—
- (a) in relation to trades, professions and vocations, subsections (4) and (5) of section 96A of ITTOIA 2005 (which provide for circumstances in which a person is to be regarded as disposing of an asset for the purposes of that section), and
  - (b) in relation to property businesses, section 307F of ITTOIA 2005 (which provides for circumstances in which a person is to be regarded as disposing of an asset for the purposes of section 307E of that Act).]
- (2) Subsection (1) above shall not be taken as excluding from the consideration so taken into account any money or money's worth which is—
- [<sup>F21</sup>(a) taken into account in the making of a balancing charge under the Capital Allowances Act but excluding Part 10 of that Act,
  - (b) brought into account as the disposal value of plant or machinery under Part 2 of that Act, or
  - (c) brought into account as the disposal value of an asset representing qualifying expenditure under Part 6 of that Act.]
- [<sup>F22</sup>See also section 37A(4) and (5) (consideration on disposal of certain leases).]
- [<sup>F23</sup>(2A) Subsection (1) is not to be taken as excluding from the consideration so taken into account any money or money's worth which is, or is taken into account in computing,

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a return on which income tax is charged under Chapter 2A of Part 4 of ITTOIA 2005 (disguised interest) (but see section 381D of that Act).]

- (3) This section shall not preclude the taking into account in a computation of the gain, as consideration for the disposal of an asset, of the capitalised value of a rentcharge (as in a case where a rentcharge is exchanged for some other asset) or of the capitalised value of a ground annual or feu duty, or of a right of any other description to income or to payments in the nature of income over a period, or to a series of payments in the nature of income.

<sup>F24</sup>(4) . . . . .

[<sup>F25</sup>(5) If—

- (a) because section [<sup>F26</sup>517G(4) or (6) of ITA 2007 (transactions in land: the chargeable person) applies, an amount is charged to income tax as income of] a person other than the person (“A”) by whom the gain was realised, and
- (b) the income tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.

[ If—

- <sup>F27</sup>(5A) (a) because section [<sup>F28</sup>356OG(4) or (6) of CTA 2010 (transactions in land: the chargeable company) applies, an amount is charged to corporation tax as profits of a person other than] the person (“C”) by whom the gain was realised, and

- (b) the corporation tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of C.]

(6) If—

- (a) because section 777(5) of that Act applies, the person charged to tax under Chapter 4 of Part 13 of that Act (sales of occupation income) is a person other than the person (“B”)—
- (i) for whom the capital amount was obtained, or
- (ii) in the case of income treated as arising under section 779 of that Act, by whom the property or right was sold or realised, and
- (b) the income tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of B.

- (7) In subsection (6) “capital amount” has the same meaning as in Chapter 4 of Part 13 of that Act (sales of occupation income) (see section 777(7) of that Act).]

#### Textual Amendments

- F20** S. 37(1A)-(1C) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 44](#)
- F21** S. 37(2)(a)-(c) substituted for s. 37(2)(a)(b) (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 77](#)
- F22** Words in s. 37(2) added (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 231](#) (with Sch. 9 paras. 1-9, 22)

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- F23** S. 37(2A) inserted (with effect in accordance with Sch. 12 para. 18(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 12 para. 6**
- F24** S. 37(4) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), **Sch. para. 48(2)**
- F25** S. 37(5)-(7) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 299** (with Sch. 2)
- F26** Words in s. 37(5)(a) substituted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 79(8)** (with savings in 2017 c. 32, s. 39(1)(2))
- F27** S. 37(5A) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 228** (with Sch. 2)
- F28** Words in s. 37(5A)(a) substituted (with effect in accordance with s. 81 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 77(7)** (with savings in 2017 c. 32, s. 39(1)(2))

#### **Modifications etc. (not altering text)**

- C1** S. 37 extended (27.7.1993 with effect for the year 1992-93 and subsequent years of assessment as mentioned in s. 184(3)) by [1993 c. 34](#), **ss. 176(2)(b)**, 184(3)
- C2** S. 37 excluded (19.3.1997) by [Finance Act 1997 \(c. 16\)](#), **Sch. 12 para. 12(1)(2)(3)(4)**, 13, 14 (with Sch. 12 para. 17)
- C3** S. 37 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 670(7)**, 1329(1) (with Sch. 2 Pts. 1, 2)
- C4** S. 37 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 672(4)**, 1329(1) (with Sch. 2 Pts. 1, 2)
- C5** S. 37(1) restricted (16.7.1992, with effect as mentioned in s. 65(6) of the amending Act) by [1992 c. 48](#), **s. 65(2)(e)(5)**
- C6** S. 37(1) modified (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), **s. 133(5)(a)**
- C7** S. 37(1) modified (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), regs. 1(1), **45(2)**

### **[<sup>F29</sup>37A Consideration on disposal of certain leases**

- (1) This section applies if—
- (a) a disposal occurs that is within section 614BP of ITA 2007 (including that section as it has effect as a result of section 614CD of that Act), and
  - (b) for the purposes of Chapter 2 or 3 of Part 11A of that Act there is any cumulative accountancy rental excess in relation to the lease for the period of account of the current lessor in which the disposal takes place.
- (2) This section also applies if—
- (a) a disposal occurs that is within section 915 of CTA 2010 (including that section as it has effect as a result of section 929 of that Act), and
  - (b) for the purposes of Chapter 2 or 3 of Part 21 of that Act there is any cumulative accountancy rental excess in relation to the lease for the period of account of the current lessor in which the disposal takes place.
- (3) In determining for the purposes of this Act the amount of any gain accruing to the person making the disposal, the consideration for the disposal is treated as reduced by setting against it that excess (but not so as to reduce the amount of that consideration below nil).
- (4) Subsection (3) only affects section 37 so far as subsection (5) provides.

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- (5) Section 37 does not exclude any money or money's worth from the consideration for a disposal so far as it is represented by any such cumulative accountancy rental excess that, in accordance with subsection (3)—
- (a) falls to be set against the consideration for the disposal, or
  - (b) has fallen to be set against the consideration for a previous disposal made by the person making the disposal in question or a person connected with that person.
- (6) Subsections (7) to (9) apply if the disposal mentioned in subsection (1) or (2) is a part disposal of the asset in question.
- (7) The cumulative accountancy rental excess mentioned in subsection (3) must be apportioned between—
- (a) the property disposed of, and
  - (b) the property that remains undisposed of.
- (8) That apportionment must be made in the same proportions as those in which the sums that under section 38(1)(a) or (b) are attributable to the asset fall to be apportioned under section 42.
- (9) Only so much of the cumulative accountancy rental excess as is so apportioned to the property disposed of is set against the consideration for the part disposal in accordance with subsection (3).
- (10) If subsection (3) applies in a case where two or more disposals within subsection (1) or (2) are made at the same time, the cumulative accountancy rental excess mentioned in subsection (3) must be apportioned, subject to subsections (7) to (9), between the disposals in such proportions as are just and reasonable.
- (11) Section 614DC of ITA 2007 (connected persons) applies for the purposes of this section in its application as a result of any leasing arrangements (within the meaning of that section) as it applies for the purposes mentioned in that section.]

#### Textual Amendments

- F29** S. 37A inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 3 para. 7](#) (with [Sch. 9 paras. 1-9, 22](#))

### 38 Acquisition and disposal costs etc.

- (1) Except as otherwise expressly provided, the sums allowable as a deduction from the consideration in the computation of the gain accruing to a person on the disposal of an asset shall be restricted to—
- (a) the amount or value of the consideration, in money or money's worth, given by him or on his behalf wholly and exclusively for the acquisition of the asset, together with the incidental costs to him of the acquisition or, if the asset was not acquired by him, any expenditure wholly and exclusively incurred by him in providing the asset,
  - (b) the amount of any expenditure wholly and exclusively incurred on the asset by him or on his behalf for the purpose of enhancing the value of the asset, being expenditure reflected in the state or nature of the asset at the time of

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- the disposal, and any expenditure wholly and exclusively incurred by him in establishing, preserving or defending his title to, or to a right over, the asset,
- (c) the incidental costs to him of making the disposal.
- (2) For the purposes of this section and for the purposes of all other provisions of this Act, the incidental costs to the person making the disposal of the acquisition of the asset or of its disposal shall consist of expenditure wholly and exclusively incurred by him for the purposes of the acquisition or, as the case may be, the disposal, being fees, commission or remuneration paid for the professional services of any surveyor or valuer, or auctioneer, or accountant, or agent or legal adviser and costs of transfer or conveyance (including stamp duty [<sup>F30</sup> or stamp duty land tax]) together—
- (a) in the case of the acquisition of an asset, with costs of advertising to find a seller, and
- (b) in the case of a disposal, with costs of advertising to find a buyer and costs reasonably incurred in making any valuation or apportionment required for the purposes of the computation of the gain, including in particular expenses reasonably incurred in ascertaining market value where required by this Act.
- (3) Except as provided by section 40, no payment of interest shall be allowable under this section.
- (4) Any provision in this Act introducing the assumption that assets are sold and immediately reacquired shall not imply that any expenditure is incurred as incidental to the sale or reacquisition.

#### Textual Amendments

**F30** Words in s. 38(2) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 18 para. 5](#)

#### Modifications etc. (not altering text)

**C8** S. 38 restricted (3.5.1994) by [Finance Act 1994 \(c. 9\)](#), [s. 173\(4\)\(d\)](#) (with [s. 173\(1\)](#))

**C9** S. 38(1)(a)(b) restricted (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), [s. 198\(2\)](#), [Sch. 9 para. 4\(2\)](#) (with [s. 38\(2\)](#)); [S.I. 2004/2575](#), [art. 2\(1\)](#), [Sch. 1](#)

**C10** S. 38(1)(c) applied by [Finance Act 1996 \(c. 8\)](#), [s. 92\(5D\)](#) (as inserted (with effect in accordance with [s. 79\(3\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 23 para. 5\(3\)](#))

### 39 Exclusion of expenditure by reference to tax on income.

- (1) There shall be excluded from the sums allowable under section 38 as a deduction in the computation of the gain any expenditure allowable as a deduction in computing the [<sup>F31</sup>profits] or losses of a trade, profession or vocation for the purposes of income tax or allowable as a deduction in computing any other income or profits or gains or losses for the purposes of the Income Tax Acts and any expenditure which, although not so allowable as a deduction in computing any losses, would be so allowable but for an insufficiency of income or profits or gains; and this subsection applies irrespective of whether effect is or would be given to the deduction in computing the amount of tax chargeable or by discharge or repayment of tax or in any other way.
- (2) Without prejudice to the provisions of subsection (1) above, there shall be excluded from the sums allowable under section 38 as a deduction in the computation of the gain any expenditure which, if the assets, or all the assets to which the computation relates, were, and had at all times been, held or used as part of the fixed capital of a trade the [<sup>F31</sup>profits] of which were (irrespective of whether the person making the disposal



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is a company or not) chargeable to income tax would be allowable as a deduction in computing the [<sup>F31</sup>profits] or losses of the trade for the purposes of income tax.

- (3) No account shall be taken of any relief under Chapter II of Part IV of the <sup>M1</sup>Finance Act 1981 or under Schedule 5 to the <sup>M2</sup>Finance Act 1983, in so far as it is not withdrawn and relates to shares issued before 19th March 1986, in determining whether any sums are excluded by virtue of subsection (1) or (2) above from the sums allowable as a deduction in the computation of gains or losses for the purposes of this Act.

[<sup>F32</sup>(3A) This section is not to be taken as excluding, from the sums allowable under section 38 as a deduction in the computation of the gain, expenditure allowable as a deduction in computing a return on which income tax is charged under Chapter 2A of Part 4 of ITTOIA 2005 (disguised interest) (but see section 381D of that Act).]

[<sup>F33</sup>(4) If—

- (a) because section [<sup>F34</sup>517G(4) or (6) of ITA 2007 (transactions in land: the chargeable person) applies, an amount is charged to income tax as income of] a person other than the person (“A”) by whom the gain was realised, and  
(b) the income tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.]

[<sup>F35</sup>(5) If—

- (a) because section [<sup>F36</sup>356OG(4) or (6) of CTA 2010 (transactions in land: the chargeable company) applies, an amount is charged to corporation tax as profits of a person other than] the person (“B”) by whom the gain was realised, and  
(b) the corporation tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of B.]

### Textual Amendments

- F31** Word in s. 39(1)(2) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\), Sch. 7 para. 7](#)  
**F32** S. 39(3A) inserted (with effect in accordance with Sch. 12 para. 18(1) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 12 para. 7](#)  
**F33** S. 39(4) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 300](#) (with Sch. 2)  
**F34** Words in s. 39(4)(a) substituted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\), s. 79\(9\)](#) (with savings in 2017 c. 32, s. 39(1)(2))  
**F35** S. 39(5) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 229](#) (with Sch. 2)  
**F36** Words in s. 39(5)(a) substituted (with effect in accordance with s. 81 of the amending Act) by [Finance Act 2016 \(c. 24\), s. 77\(8\)](#) (with savings in 2017 c. 32, s. 39(1)(2))

### Modifications etc. (not altering text)

- C11** S. 39 extended (27.7.1993 with effect for the years 1992-93 and subsequent years of assessment as mentioned in s. 184(3)) by [1993 c. 34, s. 176\(2\)\(b\), 184\(3\)](#)  
**C12** S. 39 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 670\(7\), 1329\(1\)](#) (with Sch. 2 Pts. 1, 2)  
**C13** S. 39 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 672\(4\), 1329\(1\)](#) (with Sch. 2 Pts. 1, 2)  
**C14** S. 39 extended (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 1157\(2\), 1329\(1\)](#) (with Sch. 2 Pts. 1, 2)

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**C15** S. 39(1) modified (22.7.2004) by [Finance Act 2004 \(c. 12\), s. 133\(5\)\(b\)](#)

#### Marginal Citations

**M1** 1981 c. 35.

**M2** 1983 c. 28.

## 40 Interest charged to capital.

(1) Where—

(a) a company incurs expenditure on the construction of any building, structure or works, being expenditure allowable as a deduction under section 38 in computing a gain accruing to the company on the disposal of the building, structure or work, or of any asset comprising it, and

(b) that expenditure was defrayed out of borrowed money,

the sums so allowable under section 38 shall, subject to subsection (2) below, include the amount of any interest on that borrowed money which is referable to a period or part of a period ending on or before the disposal.

(2) Subsection (1) above has effect subject to section 39 and does not apply to interest which is a charge on income.

(3) In relation to interest paid in any accounting period ending before 1st April 1981 subsection (1) above shall have effect with the substitution for all following paragraph (b) of—

“and

(c) the company charged to capital all or any of the interest on that borrowed money referable to a period or part of a period ending on or before the disposal,

and the sums so allowable under section 38 shall include the amount of that interest charged to capital.”;

and subsection (2) above shall not apply.

[<sup>F37</sup>(4) In consequence of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships) [<sup>F38</sup>and CTA 2009 (Part 5 of which re-enacts that Chapter)] this section does not have effect in relation to interest referable to an accounting period ending on or after 1st April 1996.]

#### Textual Amendments

**F37** S. 40(4) added (24.7.2002) by [Finance Act 2002 \(c. 23\), Sch. 25 para. 60\(2\)](#)

**F38** Words in s. 40(4) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 362](#) (with [Sch. 2 Pts. 1, 2](#))

## 41 Restriction of losses by reference to capital allowances and renewals allowances.

(1) Section 39 shall not require the exclusion from the sums allowable as a deduction in the computation of the gain of any expenditure as being expenditure in respect of which a capital allowance or renewals allowance is made, but the amount of any

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losses accruing on the disposal of an asset shall be restricted by reference to capital allowances and renewals allowances as follows.

- (2) In the computation of the amount of a loss accruing to the person making the disposal, there shall be excluded from the sums allowable as a deduction any expenditure to the extent to which any capital allowance or renewals allowance has been or may be made in respect of it.
- (3) If the person making the disposal acquired the asset—
- [<sup>F39</sup>(a) by a transfer by way of sale in relation to which an election under section 569 of the Capital Allowances Act was made, or
  - (b) by a transfer to which section 268 of that Act applies,]
- (being enactments under which a transfer is treated for the purposes of capital allowances as being made at written down value), the preceding provisions of this section shall apply as if any capital allowance made to the transferor in respect of the asset had (except so far as any loss to the transferor was restricted under those provisions) been made to the person making the disposal (that is the transferee); and where the transferor acquired the asset by such a transfer, capital allowances which by virtue of this subsection can be taken into account in relation to the transferor shall also be taken into account in relation to the transferee (that is the person making the disposal), and so on for any series of transfers before the disposal.
- (4) In this section “capital allowance” means—
- [<sup>F40</sup>(a) any allowance under the Capital Allowances Act,]
  - [<sup>F41</sup>(zaa) any deduction allowable in respect of capital expenditure in calculating profits on the cash basis (see sections 33A and 307B of ITTOIA 2005),]
  - [<sup>F42</sup>(aa) any deduction under section 311A of ITTOIA 2005 or section 250A of CTA 2009 (replacement domestic items relief),]
  - (b) [<sup>F43</sup>... [<sup>F44</sup>any deduction under section 315 of ITTOIA 2005][<sup>F45</sup>or section 254 of CTA 2009] (expenditure on sea walls), and
  - (c) any deduction in computing [<sup>F46</sup>profits] allowable under [<sup>F47</sup>... [<sup>F48</sup>section 170 of ITTOIA 2005][<sup>F49</sup>or section 147 of CTA 2009] (cemeteries).
- (5) In this section “renewals allowance” means a deduction allowable in computing the [<sup>F46</sup>profits] of a trade, profession or vocation for the purpose of income tax by reference to the cost of acquiring an asset for the purposes of the trade, profession or vocation in replacement of another asset, and for the purposes of this Chapter a renewals allowance shall be regarded as a deduction allowable in respect of the expenditure incurred on the asset which is being replaced.
- (6) The amount of capital allowances to be taken into account under this section in relation to a disposal include any allowances falling to be made by reference to the event which is the disposal, and there shall be deducted from the amount of the allowances the amount of any balancing charge to which effect has been or is to be given by reference to the event which is the disposal, or any earlier event.

[<sup>F50</sup>(6A) Where—

- (a) capital allowances have been made or may be made in respect of expenditure, and
  - (b) the capital allowances include a deduction mentioned in subsection (4)(zaa),
- the capital allowances to be taken into account under this section are to be regarded as equal to the total amount of expenditure which has qualified for capital allowances

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less any balancing charge to which the person making the disposal is liable under the Capital Allowances Act.]

- (7) Where the disposal is of [<sup>F51</sup>plant or machinery] in relation to expenditure on which allowances or charges have been made under [<sup>F52</sup>Part 2 of the Capital Allowances Act, [<sup>F53</sup>and subsection (6A) does not apply,] and neither Chapter 15 (assets provided or used only partly for qualifying activity) nor Chapter 16 (partial depreciation subsidies) of that Part] applies, the capital allowances to be taken into account under this section are to be regarded as equal to the difference between the [<sup>F54</sup>qualifying expenditure] incurred, or treated as incurred, under that Part on the provision of the [<sup>F51</sup>plant or machinery] by the person making the disposal and the disposal value required to be brought into account in respect of the [<sup>F51</sup>plant or machinery].
- [<sup>F55</sup>(8) Where there is a disposal of an asset acquired in circumstances in which—
- (a) section 140A applies, or
  - (b) section 171 applies or would apply but for subsection (2) of that section,
- this section has effect in relation to capital allowances made to the person from which it was acquired (so far as not taken into account in relation to a disposal of the asset by that person), and so on as respects previous transfers of the asset in such circumstances.
- This does not affect the consideration for which an asset is deemed under section 140A or 171 to be acquired.]

- [<sup>F56</sup>(9) In this section—
- (a) in relation to a trade, profession or vocation, references to calculating profits on the cash basis are to calculating the profits of a trade, profession or vocation in relation to which an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect, and
  - (b) in relation to a property business, references to calculating profits on the cash basis are to be construed in accordance with section 271D of that Act (calculation of profits of property businesses on the cash basis).
- (10) In this section—
- “capital expenditure” means expenditure of a capital nature incurred on, or in connection with, the creation, construction, acquisition, alteration or disposal of an asset, and
- “property business” means a UK property business or an overseas property business within the meaning of Part 3 of ITTOIA 2005 (see sections 264 and 265 of that Act).]

#### Textual Amendments

- F39** S. 41(3)(a)(b) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(1\)](#)
- F40** S. 41(4)(a) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(2\)](#)
- F41** S. 41(4)(zaa) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 45\(2\)](#)
- F42** S. 41(4)(aa) inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 73\(3\)](#)
- F43** Words in s. 41(4)(b) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 363\(a\)\(i\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F44** Words in s. 41(4)(b) inserted (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [s. 883\(1\)](#), [Sch. 1 para. 430\(a\)](#) (with [Sch. 2](#))

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- F45** Words in s. 41(4)(b) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 363(a)(ii)** (with Sch. 2 Pts. 1, 2)
- F46** Word in s. 41(4)(5) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a), **Sch. 7 para. 7**
- F47** Words in s. 41(4)(c) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 363(b)(i)**, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F48** Words in s. 41(4)(c) inserted (with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 430(b)** (with Sch. 2)
- F49** Words in s. 41(4)(c) inserted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 363(b)(ii)** (with Sch. 2 Pts. 1, 2)
- F50** S. 41(6A) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 2 para. 45(3)**
- F51** Words in s. 41(7) substituted (22.3.2001) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 78(3)(a)**
- F52** Words in s. 41(7) substituted (22.3.2001) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 78(3)(b)**
- F53** Words in s. 41(7) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 2 para. 45(4)**
- F54** Words in s. 41(7) substituted (22.3.2001) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 78(3)(c)**
- F55** S. 41(8) added (with effect in accordance with Sch. 29 para. 12(2) of the amending Act) by Finance Act 2000 (c. 17), **Sch. 29 para. 12(1)** (with Sch. 29 para. 46(5))
- F56** S. 41(9)(10) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 2 para. 45(5)**

#### Modifications etc. (not altering text)

- C16** S. 41 modified (16.7.1992) by 1992 c. 48, s. 77, **Sch. 17 paras. 6(2)(5), 7**
- C17** S. 41 modified (19.9.1994) by Coal Industry Act 1994 (c. 21), s. 68(4), **Sch. 4 para. 21(2)(5)(6)** (with Sch. 4 para. 14); S.I. 1994/2189, art. 2, Sch.
- C18** S. 41(8) modified (15.1.2001) by Transport Act 2000 (c. 38), s. 275(1), **Sch. 26 para. 10(1)** (with Sch. 26 para. 10(2)); S.I. 2000/3376, art. 2

### [<sup>F57</sup> 41A Restriction of losses: long funding leases of plant or machinery

- (1) This section applies where a person disposes of an asset—
- which includes plant or machinery which is a fixture for the purposes of Chapter 6A of Part 2 of the Capital Allowances Act, and
  - which he has used for the purpose of leasing under one or more long funding leases.
- (2) In the computation of the amount of a loss accruing to the person on the disposal there shall be excluded from the sums allowable as a deduction by virtue of section 38(1) (a) and (b) (acquisition and enhancement costs) an amount determined in accordance with subsection (3) or (4).
- (3) Where the person has used the plant or machinery for the purpose of leasing under one long funding lease, the amount is equal to the fall in value of the plant or machinery during the period of the lease.
- (4) Where the person has used the plant or machinery for the purpose of leasing under more than one long funding lease, the amount is equal to the sum of the fall in value of the plant or machinery during the period of each lease.
- (5) In this section, references to the fall in value of plant or machinery during the period of a lease are references to the amount (if any) by which—
- the market value of the plant or machinery at the commencement of the term of the lease,

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exceeds

(b) its market value at the termination of the lease.

(6) For the purposes of this section, the following expressions have the meaning given in Chapter 6A of Part 2 of the Capital Allowances Act (interpretation of provisions about long funding leases)—

“commencement”, in relation to the term of a lease,

“long funding lease”,

“market value”,

“the term”, in relation to a lease,

“termination”.]

#### Textual Amendments

**F57** S. 41A inserted (with effect in accordance with Sch. 9 para. 5(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 5\(1\)](#)

## 42 Part disposals.

(1) Where a person disposes of an interest or right in or over an asset, and generally wherever on the disposal of an asset any description of property derived from that asset remains undisposed of, the sums which under paragraphs (a) and (b) of section 38(1) are attributable to the asset shall, both for the purposes of the computation of the gain accruing on the disposal and for the purpose of applying this Part in relation to the property which remains undisposed of, be apportioned.

(2) The apportionment shall be made by reference—

(a) to the amount or value of the consideration for the disposal on the one hand (call that amount or value A), and

(b) to the market value of the property which remains undisposed of on the other hand (call that market value B),

and accordingly the fraction of the said sums allowable as a deduction in the computation of the gain accruing on the disposal shall be—

$$\frac{A}{A + B}$$

and the remainder shall be attributed to the property which remains undisposed of.

(3) Any apportionment to be made in pursuance of this section shall be made before operating the provisions of section 41 and if, after a part disposal, there is a subsequent disposal of an asset the capital allowances or renewals allowances to be taken into account in pursuance of that section in relation to the subsequent disposal shall, subject to subsection (4) below, be those referable to the sums which under paragraphs (a) and (b) of section 38(1) are attributable to the asset whether before or after the part disposal, but those allowances shall be reduced by the amount (if any) by which the loss on the earlier disposal was restricted under the provisions of section 41.

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- (4) This section shall not be taken as requiring the apportionment of any expenditure which, on the facts, is wholly attributable to what is disposed of, or wholly attributable to what remains undisposed of.
- (5) It is hereby declared that this section, and all other provisions for apportioning on a part disposal expenditure which is deductible in computing a gain, are to be operated before the operation of, and without regard to, section 58(1), sections 152 to 158 (but without prejudice to section 152(10)), section 171(1) or any other enactment making an adjustment to secure that neither a gain nor a loss occurs on a disposal.

#### **Modifications etc. (not altering text)**

- C19** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 667(2)**, 1329(1) (with [Sch. 2 Pts. 1, 2](#))
- C20** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 668(2)**, 1329(1) (with [Sch. 2 Pts. 1, 2](#))
- C21** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 670(5)**, 1329(1) (with [Sch. 2 Pts. 1, 2](#))

### **43 Assets derived from other assets.**

If and so far as, in a case where assets have been merged or divided or have changed their nature or rights or interests in or over assets have been created or extinguished, the value of an asset is derived from any other asset in the same ownership, an appropriate proportion of the sums allowable as a deduction in the computation of a gain in respect of the other asset under paragraphs (a) and (b) of section 38(1) shall, both for the purpose of the computation of a gain accruing on the disposal of the first-mentioned asset and, if the other asset remains in existence, on a disposal of that other asset, be attributed to the first-mentioned asset.

#### *Wasting assets*

### **44 Meaning of “wasting asset”.**

- (1) In this Chapter “wasting asset” means an asset with a predictable life not exceeding 50 years but so that—
- freehold land shall not be a wasting asset whatever its nature, and whatever the nature of the buildings or works on it;
  - “life”, in relation to any tangible movable property, means useful life, having regard to the purpose for which the tangible assets were acquired or provided by the person making the disposal;
  - plant and machinery shall in every case be regarded as having a predictable life of less than 50 years, and in estimating that life it shall be assumed that its life will end when it is finally put out of use as being unfit for further use, and that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout its life as so estimated;
  - a life interest in settled property shall not be a wasting asset until the predictable expectation of life of the life tenant is 50 years or less, and the predictable life of life interests in settled property and of annuities shall be ascertained from actuarial tables approved by the Board.

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- (2) In this Chapter “the residual or scrap value”, in relation to a wasting asset, means the predictable value, if any, which the wasting asset will have at the end of its predictable life as estimated in accordance with this section.
- (3) The question what is the predictable life of an asset, and the question what is its predictable residual or scrap value at the end of that life, if any, shall, so far as those questions are not immediately answered by the nature of the asset, be taken, in relation to any disposal of the asset, as they were known or ascertainable at the time when the asset was acquired or provided by the person making the disposal.

#### **45 Exemption for certain wasting assets.**

- (1) Subject to the provisions of this section, no chargeable gain shall accrue on the disposal of, or of an interest in, an asset which is tangible movable property and which is a wasting asset.
  - (2) Subsection (1) above shall not apply to a disposal of, or of an interest in, an asset—
    - (a) if, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, the asset has been used and used solely for the purposes of a trade, profession or vocation and if that person has claimed or could have claimed any capital allowance in respect of any expenditure attributable to the asset or interest under paragraph (a) or paragraph (b) of section 38(1); or
    - (b) if the person making the disposal has incurred any expenditure on the asset or interest which has otherwise qualified in full for any capital allowance.
  - (3) In the case of the disposal of, or of an interest in, an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances—
    - (a) the consideration for the disposal, and any expenditure attributable to the asset or interest by virtue of section 38(1)(a) and (b), shall be apportioned by reference to the extent to which that expenditure qualified for capital allowances, and
    - (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
    - (c) subsection (1) above shall not apply to any gain accruing by reference to the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances.
- [<sup>F58</sup>(3A) But subsection (3) does not apply in the case of a disposal in relation to which subsection (3B) disapplies subsection (1).
- (3B) Subsection (1) does not apply to a disposal of, or of an interest in, an asset if—
    - (a) at any time in the period of ownership of the person making the disposal, the asset is used for the purposes of a trade, profession or vocation carried on by another person,
    - (b) as a result of that use, the asset becomes plant,



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- (c) but for the asset therefore being regarded under section 44(1)(c) as having a predictable life of less than 50 years, the disposal would not be of, or of an interest in, a wasting asset, and
  - (d) the disposal is not within subsection (3C).
- (3C) A disposal of, or of an interest in, an asset is within this subsection if the asset is plant used for the purpose of leasing under a long funding lease and—
- (a) the disposal takes place after the commencement of the term of the lease but before the termination of the lease, or
  - (b) the disposal is the deemed disposal of the asset under section 25A(3)(a) on the termination of the lease.
- (3D) Section 25A(5) applies for the purposes of subsection (3C).]
- (4) Subsection (1) above shall not apply to a disposal of commodities of any description by a person dealing on a terminal market or dealing with or through a person ordinarily engaged in dealing on a terminal market.

#### Textual Amendments

**F58** S. 45(3A)-(3D) inserted (with effect in accordance with s. 40(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), s. 40(1)

#### 46 Straightline restriction of allowable expenditure.

- (1) In the computation of the gain accruing on the disposal of a wasting asset it shall be assumed—
- (a) that any expenditure attributable to the asset under section 38(1)(a) after deducting the residual or scrap value, if any, of the asset, is written off at a uniform rate from its full amount at the time when the asset is acquired or provided to nothing at the end of its life, and
  - (b) that any expenditure attributable to the asset under section 38(1)(b) is written off from the full amount of that expenditure at the time when that expenditure is first reflected in the state or nature of the asset to nothing at the end of its life, so that an equal daily amount is written off day by day.
- (2) Thus, calling the predictable life of a wasting asset at the time when it was acquired or provided by the person making the disposal L, the period from that time to the time of disposal T(1), and, in relation to any expenditure attributable to the asset under section 38(1)(b), the period from the time when that expenditure is first reflected in the state or nature of the asset to the said time of disposal T(2), there shall be excluded from the computation of the gain—
- (a) out of the expenditure attributable to the asset under section 38(1)(a) a fraction—

$$\frac{T(1)}{L}$$

of an amount equal to the amount of that expenditure minus the residual or scrap value, if any, of the asset, and

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- (b) out of the expenditure attributable to the asset under section 38(1)(b) a fraction—

$$\frac{T(2)}{L - (T(1) - T(2))}$$

of the amount of the expenditure.

- (3) If any expenditure attributable to the asset under section 38(1)(b) creates or increases a residual or scrap value of the asset, the provisions of subsection (1)(a) above shall be applied so as to take that into account.

#### **47 Wasting assets qualifying for capital allowances.**

- (1) Section 46 shall not apply in relation to a disposal of an asset—
- (a) which, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, is used and used solely for the purposes of a trade, profession or vocation and in respect of which that person has claimed or could have claimed any capital allowance in respect of any expenditure attributable to the asset under paragraph (a) or paragraph (b) of section 38(1), or
  - (b) on which the person making the disposal has incurred any expenditure which has otherwise qualified in full for any capital allowance.
- (2) In the case of the disposal of an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances—
- (a) the consideration for the disposal, and any expenditure attributable to the asset by paragraph (a) or paragraph (b) of section 38(1) shall be apportioned by reference to the extent to which that expenditure qualified for capital allowances, and
  - (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
  - (c) section 46 shall not apply for the purposes of the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances, and
  - (d) if an apportionment of the consideration for the disposal has been made for the purposes of making any capital allowance to the person making the disposal or for the purpose of making any balancing charge on him, that apportionment shall be employed for the purposes of this section, and
  - (e) subject to paragraph (d) above, the consideration for the disposal shall be apportioned for the purposes of this section in the same proportions as the expenditure attributable to the asset is apportioned under paragraph (a) above.

*Status: Point in time view as at 16/11/2017.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, Chapter III is up to date with all changes known to be in force on or before 25 June 2024. 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)*

### *[<sup>F59</sup>Cash basis accounting*

#### **Textual Amendments**

**F59** Ss. 47A, 47B and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 45](#)

#### **47A [<sup>F60</sup>Exemption for certain disposals under, or after leaving, cash basis]**

(1) No chargeable gain shall accrue on the disposal of, or of an interest in, an asset if conditions [<sup>F61</sup>A, B and D] are met in relation to the asset.

[<sup>F62</sup>(2) Condition A is that the asset is not land.]

(3) Condition B is that, at any time during the period of ownership of the person making the disposal, the asset has been used for the purposes of a trade, profession [<sup>F63</sup>, vocation or property business] carried on by the person.

<sup>F64</sup>(4) . . . . .

[<sup>F65</sup>(5) Condition D is that relevant disposal proceeds—

- (a) are brought into account as a receipt (whether or not on the cash basis) under section 96A(31) of ITTOIA 2005 in calculating the profits of a trade, profession or vocation (capital receipts under, or after leaving, cash basis: trades, professions and vocations), or
- (b) are brought into account as a receipt (whether or not on the cash basis) under section 307E(12) of that Act in calculating the profits of a property business (capital receipts under, or after leaving, cash basis: property businesses).

(5A) “Relevant disposal proceeds” means disposal proceeds as mentioned in section 96A(3F) of ITTOIA 2005 or (as the case may be) section 307E(9) of that Act which arise from the disposal mentioned in subsection (1).]

[<sup>F66</sup>(6) Subsection (7) applies in the case of the disposal of, or of an interest in, an asset—

- (a) which, in the period of ownership of the person making the disposal—
  - (i) has been used partly for the purposes of the trade, profession or vocation and partly for other purposes, or
  - (ii) has been used for the purposes of the trade, profession or vocation for part of that period, or
- (b) expenditure on which by the person has qualified in part only for capital allowances.]

(7) In such a case—

- (a) the consideration for the disposal, and any expenditure attributable to the asset or interest by virtue of section 38(1)(a) and (b), shall be apportioned by reference to the extent to which that expenditure [<sup>F67</sup>qualified for capital allowances],
- (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
- (c) subsection (1) above shall apply to any gain accruing by reference to the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation [<sup>F68</sup>, or to the expenditure qualifying for capital allowances].

Status: Point in time view as at 16/11/2017.

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[ In this section “property business” means a UK property business or an overseas <sup>F69</sup>(8) property business within the meaning of Part 3 of ITTOIA 2005 (see sections 264 and 265 of that Act).]

**Textual Amendments**

- F60** S. 47A heading substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(2)**
- F61** Words in s. 47A(1) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(3)**
- F62** S. 47A(2) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(4)**
- F63** Words in s. 47A(3) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(5)**
- F64** S. 47A(4) omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(6)**
- F65** S. 47A(5)(5A) substituted for s. 47A(5) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(7)**
- F66** S. 47A(6) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(8)**
- F67** Words in s. 47A(7)(a) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(9)(a)**
- F68** Words in s. 47A(7)(c) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(9)(b)**
- F69** S. 47A(8) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(10)**

<sup>F70</sup>**47B Disposals made by persons after leaving cash basis**

.....

**Textual Amendments**

- F70** S. 47B omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 47**

*Miscellaneous provisions*

**48 Consideration due after time of disposal.**

[<sup>F71</sup>(1)] In the computation of the gain consideration for the disposal shall be brought into account without any discount for postponement of the right to receive any part of it and, in the first instance, without regard to a risk of any part of the consideration being irrecoverable or to the right to receive any part of the consideration being contingent; and if any part of the consideration so brought into account [<sup>F72</sup>subsequently proves to be irrecoverable, there shall be made, on a claim being made to that effect, such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence].

*Status: Point in time view as at 16/11/2017.*

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- [<sup>F73</sup>(2) Subsection (1) above does not apply in relation to so much of any consideration as consists of rights under a creditor relationship to which a company becomes a party as a result of the disposal.
- (3) In the computation of the gain in a case where subsection (2) above has effect in relation to any consideration, the amount to be brought into account in respect of that consideration is the fair value of the creditor relationship.
- (4) In this section—
- (a) “creditor relationship”, and
  - (b) “fair value”, in relation to a creditor relationship,
- each have the same meaning as in [<sup>F74</sup>Part 5 of CTA 2009 (see sections 302(5) and 313(6))].]

#### Textual Amendments

- F71** S. 48 renumbered as s. 48(1) (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 7\(2\)](#)
- F72** Words in s. 48 substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 48](#)
- F73** S. 48(2)-(4) added (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 7 para. 7\(3\)](#)
- F74** Words in s. 48(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 364](#) (with [Sch. 2 Pts. 1, 2](#))

#### Modifications etc. (not altering text)

- C22** S. 48 applied (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [ss. 208, 1184\(1\)](#) (with [Sch. 2](#))

#### [<sup>F75</sup>48A Unascertainable consideration

- (1) This section applies where—
- (a) a person (“P”) has made a non-resident CGT disposal in relation to which there accrued to P an NRCGT gain chargeable to, or an NRCGT loss allowable for the purposes of, capital gains tax by virtue of section 14D or 188D (“the original disposal”),
  - (b) P acquired a right as the whole or part of the consideration for that disposal,
  - (c) on P’s acquisition of the right, there was no corresponding disposal of it, and
  - (d) the right is a right to unascertainable consideration (see subsections (4) to (6)).
- (2) If P subsequently receives consideration (“the ascertained consideration”) representing the whole or part of the consideration referred to in subsection (1)(d) and condition A in section 14B would have been met in relation to the original disposal had a gain on that disposal accrued at the time of the receipt of the ascertained consideration—
- (a) the ascertained consideration is treated as not accruing on the disposal of the right,
  - (b) the costs of P’s acquisition of the right (or, in the case of a part disposal of the right, those costs so far as referable to the part disposed of) are taken to be nil, and
  - (c) the following steps are taken.

*Status: Point in time view as at 16/11/2017.*

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*Step 1* Any amount by which the ascertained consideration exceeds the relevant original consideration is treated as consideration (or further consideration) accruing on the original disposal. If the relevant original consideration exceeds the ascertained consideration, the consideration accruing on the original disposal is treated as reduced by the amount of the excess.

*Step 2* Compute the difference that the adjustment under step 1 makes to what (if any) NRCGT gain or loss, ATED-related gain or loss or other gain or loss accrues on the original disposal (computing this separately for each type of gain or loss). The difference is “positive” if a loss is decreased (to nil or otherwise) or a gain created or increased. The difference is “negative” if a gain is reduced (to nil or otherwise) or a loss created or increased.

*Step 3* Any positive amount computed under step 2 is treated for the purposes of this Act and the Management Act as a gain (of the type appropriate to the computation) accruing to P at the time of the receipt of the ascertained consideration. Any negative amount computed under step 2 is treated for the purposes of this Act and the Management Act as a loss (of the type appropriate to the computation) accruing to P at the time of the receipt of the ascertained consideration.

- (3) In step 1 in subsection (2), “the relevant original consideration” means the consideration accruing on the original disposal, so far as referable to the right mentioned in subsection (1)(b) (or, in the case of a part disposal of the right, referable to the part disposed of).
- (4) A right is a right to unascertainable consideration if, and only if—
- (a) it is a right to consideration the amount or value of which is unascertainable at the time when the right is conferred, and
  - (b) that amount or value is unascertainable at that time on account of its being referable, in whole or in part, to matters which are uncertain at that time because they have not yet occurred.

This subsection is subject to subsections (5) and (6).

- (5) The amount or value of any consideration is not to be regarded as being unascertainable by reason only—
- (a) that the right to receive the whole or any part of the consideration is postponed or contingent, if the consideration or, as the case may be, that part of it is, in accordance with section 48, brought into account in the computation of the gain accruing to a person on the disposal of an asset, or
  - (b) in a case where the right to receive the whole or any part of the consideration is postponed and is to be, or may be, to any extent satisfied by the receipt of property of one description or property of some other description, that some person has a right to select the property, or the description of property, that is to be received.
- (6) A right is not to be taken to be a right to unascertainable consideration by reason only that either the amount or the value of the consideration has not been fixed, if—
- (a) the amount will be fixed by reference to the value, and the value is ascertainable, or
  - (b) the value will be fixed by reference to the amount, and the amount is ascertainable.]

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### Textual Amendments

**F75** S. 48A inserted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 7 para. 14](#)

## 49 Contingent liabilities.

- (1) In the first instance no allowance shall be made in the computation of the gain—
- (a) in the case of a disposal by way of assigning a lease of land or other property, for any liability remaining with, or assumed by, the person making the disposal by way of assigning the lease which is contingent on a default in respect of liabilities thereby or subsequently assumed by the assignee under the terms and conditions of the lease,
  - (b) for any contingent liability of the person making the disposal in respect of any covenant for quiet enjoyment or other obligation assumed as vendor of land, or of any estate or interest in land, or as a lessor,
  - (c) for any contingent liability in respect of a warranty or representation made on a disposal by way of sale or lease of any property other than land.

[<sup>F76</sup>(2) If any such contingent liability subsequently becomes enforceable and is being or has been enforced, there shall be made, on a claim being made to that effect, such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence.]

- (3) Subsection (2) above also applies where the disposal in question was before the commencement of this section.

### Textual Amendments

**F76** S. 49(2) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 49](#)

## 50 Expenditure reimbursed out of public money.

There shall be excluded from the computation of a gain any expenditure which has been or is to be met directly or indirectly by the Crown or by any Government, public or local authority whether in the United Kingdom or elsewhere.

## 51 Exemption for winnings and damages etc.

- (1) It is hereby declared that winnings from betting, including pool betting, or lotteries or games with prizes are not chargeable gains, and no chargeable gain or allowable loss shall accrue on the disposal of rights to winnings obtained by participating in any pool betting or lottery or game with prizes.
- (2) It is hereby declared that sums obtained by way of compensation or damages for any wrong or injury suffered by an individual in his person or in his profession or vocation are not chargeable gains.

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## 52 Supplemental.

- (1) No deduction shall be allowable in a computation of the gain more than once from any sum or from more than one sum.
- (2) References in this Chapter to sums taken into account as receipts or as expenditure in computing profits or gains or losses for the purposes of income tax shall include references to sums which would be so taken into account but for the fact that any profits or gains of a trade, profession, employment or vocation are not chargeable to income tax or that losses are not allowable for those purposes.
- (3) In this Chapter references to income or profits charged or chargeable to tax include references to income or profits taxed or as the case may be taxable by deduction at source.
- (4) For the purposes of any computation of the gain any necessary apportionments shall be made of any consideration or of any expenditure and the method of apportionment adopted shall, subject to the express provisions of this Chapter, be <sup>F77</sup>... just and reasonable.
- (5) In this Chapter “capital allowance” and “renewals allowance” have the meanings given by subsections (4) and (5) of section 41.

### Textual Amendments

**F77** Words in s. 52(4) repealed (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 50, Sch. 41 Pt. V\(10\)](#)



**Status:**

Point in time view as at 16/11/2017.

**Changes to legislation:**

Taxation of Chargeable Gains Act 1992, Chapter III is up to date with all changes known to be in force on or before 25 June 2024. 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.