



Capital Allowances Act 2001

CHAPTER 2

CAPITAL ALLOWANCES ACT 2001

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- 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

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

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

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- 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

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- 556 Minor definitions

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- 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
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- 562 Apportionment where property sold together

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

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- 565 Tax agreements for income tax purposes

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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

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570A Avoidance affecting proceeds of balancing event

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570B Orders and regulations made by Treasury or Commissioners

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571 Application of Act to parts of assets
572 References to sale of property and time of sale
573 Transfers treated as sales
573A Special tax sites
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
581 Citation

Schedules

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...

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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— (LS...

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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.)
5

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)

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29	Section 384 (restrictions on right of set-off)
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39	Sections 434D and 434E (capital allowances: management assets; investment assets)
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44	Sections 520 to 523 (patents)
45	
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47	Section 530 (disposal of know-how)
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59	Section 831 (interpretation of Act)
60	
61	Section 834 (interpretation of the Corporation Tax Acts)
62	
63	Schedule 18 (group relief)
64	Schedule 19AC (modification of Act in relation to overseas life insurance companies)
65	Schedule 21 (tax relief in connection with schemes for rationalising industry and other redundancy schemes)
66	Schedule 24 (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies)
67	
68	

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The Finance Act 1988 (c. 39)

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

The Finance Act 1989 (c. 26)

70

The Electricity Act 1989 (c. 29)

- 71 Schedule 11 (taxation provisions)

The Finance Act 1990 (c. 29)

- 72 Section 126 (pools payments for football ground improvements)

The Finance Act 1991 (c. 31)

73

- 74 Section 78 (sharing of transmission facilities)

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

- 75 Schedule 2 (levy of Class 4 contributions with income tax)

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

- 76 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
87 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)

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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

103 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

108 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—

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- 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.

- 19

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

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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
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 50
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- 52 Successions by beneficiaries
 53 Subsections (6) and (7) of section 268 do not apply...

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

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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

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

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- 78 Arrangements having an artificial effect on pricing

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- 79 Expenditure on preparatory work on land where building used before 6th April 1956
Part 6 — AGRICULTURAL BUILDINGS ALLOWANCES
- 80 Overall limit on balancing charge

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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

Part 7 — MINERAL EXTRACTION ALLOWANCES

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

Part 8 — RESEARCH AND DEVELOPMENT ALLOWANCES

89 Expenditure incurred partly on research and development

90 References to research and development in relation to new trades

91 Disposal of oil licences

Part 9 — PATENT ALLOWANCES

Expenditure incurred before 1st April 1986

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

Supplementary provisions

102 Limit on qualifying expenditure

Part 10 — DREDGING ALLOWANCES

103 Writing-down allowances

104 Balancing allowances

105 The writing-down period

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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,...

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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...)

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- 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...

Schedule 4 — Repeals

Changes to legislation:

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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. 201(6) words inserted by [2017 c. 32 Sch. 14 para. 33](#)
- 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](#)
- 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. 774E(5)(b) words omitted by [2008 c. 9 Sch. 20 para. 12\(11\)](#)