

*These notes refer to the Capital Allowances Act 2001
(c.2) which received Royal Assent on 22nd March 2001*

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 12: Supplementary provisions

Chapter 6: Final Provisions

Overview

This Chapter deals with definitions and interpretations that apply to the whole Act.

Section 571: Application of Act to parts of assets

1982. This section is based on section 161(7) of CAA 1990. It provides that references to an asset include references to part of an asset (except if the context otherwise applies).

Section 572: References to sale of property and time of sale

1983. This section is based on section 150(4) of CAA 1990. It defines references to “sale of property” and “time of sale”.

1984. *Subsection (1)* defines “references to sale of property” to include references to exchange of property.

1985. *Subsections (2)* and *(3)* modify references to sale in subsection (1).

1986. *Subsection (4)* defines the “time” of sale for the purposes of this Act.

Section 573: Transfers treated as sales

1987. This section is based on various sections of CAA 1990. It applies to Parts 3 (industrial buildings), 4 (agricultural buildings) and 10 (assured tenancies) and treats transfers of the relevant interest as sales.

Section 574: Meaning of “control”

1988. This section is based on section 161(2) of CAA 1990. It gives the meaning of “control” for the whole of this Act.

Section 575: Connected persons

1989. This section is based on various sections of CAA 1990. It applies section 839 of ICTA to this Act.

Section 839 of ICTA (Connected persons)

“(1) For the purposes of, and subject to, the provisions of the Tax Acts which apply this section, any question whether a person is connected with another shall be determined in

*These notes refer to the Capital Allowances Act 2001
(c.2) which received Royal Assent on 22nd March 2001*

accordance with the following provisions of this section (any provision that one person is connected with another being taken to mean that they are connected with one another).

- (2) A person is connected with an individual if that person is the individual's wife or husband, or is a relative, or the wife or husband of a relative, of the individual or of the individual's wife or husband.
- (3) A person, in his capacity as trustee of a settlement, is connected with—
 - (a) any individual who in relation to the settlement is a settlor,
 - (b) any person who is connected with such an individual, and
 - (c) any body corporate which is connected with that settlement.

In this subsection "settlement" and "settlor" have the same meaning as in Chapter IA of Part XV (see section 660G(1) and (2)).

- (3A) For the purpose of subsection (3) above a body corporate is connected with a settlement if—
 - (a) it is a close company (or only not a close company because it is not resident in the United Kingdom) and the participators include the trustees of the settlement; or
 - (b) it is controlled (within the meaning of section 840) by a company falling within paragraph (a) above.
- (4) Except in relation to acquisitions or disposals of partnership assets pursuant to bona fide commercial arrangements, a person is connected with any person with whom he is in partnership, and with the wife or husband or relative of any individual with whom he is in partnership.
- (5) A company is connected with another company—
 - (a) if the same person has control of both, or a person has control of one and persons connected with him, or he and persons connected with him, have control of the other; or
 - (b) if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person with whom he is connected.
- (6) A company is connected with another person if that person has control of it or if that person and persons connected with him together have control of it.
- (7) Any two or more persons acting together to secure or exercise control of a company shall be treated in relation to that company as connected with one another and with any person acting on the directions of any of them to secure or exercise control of the company.
- (8) In this section—

"company" includes any body corporate or unincorporated association, but does not include a partnership, and this section shall apply in relation to any unit trust scheme as if the scheme were a company and as if the rights of the unit holders were shares in the company;

"control" shall be construed in accordance with section 416; and

"relative" means brother, sister, ancestor or lineal descendant.

Section 576: Meaning of "the Inland Revenue" etc.

1990. This section includes a minor change in giving the meaning of two terms used in this Act: "the Inland Revenue" and "the Board of Inland Revenue".

*These notes refer to the Capital Allowances Act 2001
(c.2) which received Royal Assent on 22nd March 2001*

1991. The change is that the term “Inland Revenue” is used in various places in this Act where CAA 1990 refers to an “inspector”. This is in keeping with the approach taken in legislation since 1994. But the term “the Board of Inland Revenue” is kept and used if CAA 1990 requires something to be done by the Board (as in sections 554(4) and 563(4)). See *Change 64* in Annex 1.

1992. *Subsection (3)* is based on the definition of “the Board” in section 161(2) of CAA 1990.

Section 577: Other definitions

1993. This section is based in part on section 161 of CAA 1990 but contains material derived from various sources. It provides other minor definitions for the whole Act.

1994. *Subsection (1)* contains some definitions which are new in this Act. These are “property business”, “tax year” and “tax year 2001-02”.

1995. *Subsection (2)* is based on section 161(9) of CAA 1990. It contains a change because of its application to property businesses. See *Change 62* in Annex 1.

1996. Section 161(3) of CAA 1990 has not been reproduced in this section. Its effect is preserved in another way. See *Note 74* in Annex 2.

1997. *Subsection (5)* introduces Schedule 1 which is in two Parts. Part 1 is a list of abbreviations used. Part 2 is a list of where expressions are defined in the Act. There are some other expressions defined for the purposes of particular Chapters or sections which are not listed in Part 2 of Schedule 1.

Section 578: Consequential amendments

1998. This section gives effect to Schedule 2.

Section 579: Commencement and transitional provisions and savings

1999. This section provides for commencement and gives effect to Schedule 3.

2000. *Subsection (1)* provides that this Act shall have effect for income tax chargeable periods ending on or after 6 April 2001, and for corporation tax chargeable periods ending on or after 1 April 2001.

2001. This is subject to paragraph 8 of Schedule 3 to this Act. That enables taxpayers to elect to apply the “old” law if something done before 1 or 6 April 2000 (as the case may be) has a different effect in a chargeable period which straddles the commencement date because of changes made by this Act.

Section 580: Repeals

2002. This section gives effect to Schedule 4.

Section 581: Citation

2003. This section allows this Act to be cited as Capital Allowances Act 2001.