



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 12 **U.K.**

#### SUPPLEMENTARY PROVISIONS

### CHAPTER 1 **U.K.**

#### [<sup>F1</sup>LONG-TERM] BUSINESS

##### Textual Amendments

**F1** Words in Pt. 12 Ch. 1 heading substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 102](#)

#### **544 Management assets **U.K.****

(1) No allowances are to be given or charges imposed in respect of management assets of any [<sup>F2</sup>long-term business] carried on by a company except under Part 2 (plant and machinery allowances) [<sup>F3</sup>or Part 2A (structures and buildings allowances)].

(2) An asset is a management asset of any [<sup>F2</sup>long-term business] carried on by a company if it is provided for use, or used, for the management of that business of that company.

<sup>F4</sup>(3) .....

<sup>F5</sup>(5) .....

##### Textual Amendments

**F2** Words in s. 544(1)(2) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 103\(2\)](#)

**F3** Words in s. 544(1) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, [3\(12\)](#)

**F4** S. 544(3) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 103\(3\)](#)

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- F5** S. 544(5) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by Finance Act 2007 (c. 11), Sch. 10 para. 14(8)(b), **Sch. 27 Pt. 2(10)**

## 545 Investment assets **U.K.**

- (1) This section applies if a company which is carrying on any [<sup>F6</sup>long-term business] holds an asset for purposes other than the management of that business.
- (2) “Investment asset” means an asset that is within subsection (1).
- [<sup>F7</sup>(3) No allowance in respect of an investment asset is to be taken into account in calculating for corporation tax purposes the profits of any non-BLAGAB long-term business carried on by the company.]

### Textual Amendments

- F6** Words in s. 545(1) substituted (17.7.2012) by Finance Act 2012 (c. 14), **Sch. 16 para. 104(2)**
- F7** S. 545(3) substituted for s. 545(3)-(5) (17.7.2012) by Finance Act 2012 (c. 14), **Sch. 16 para. 104(3)**

## CHAPTER 2 **U.K.**

### ADDITIONAL VAT LIABILITIES AND REBATES: INTERPRETATION, ETC.

## 546 Introduction **U.K.**

This Chapter has effect for the interpretation of, and for otherwise supplementing—

- (a) Chapter 18 of Part 2 (plant and machinery allowances: additional VAT liabilities and rebates),
- [<sup>F8</sup>(aa) Chapter 7 of Part 2A (structures and buildings allowances: additional VAT liabilities and rebates),]
- <sup>F9</sup>(b) .....
- [<sup>F10</sup>(ba) Chapter 10 of Part 3A (business premises renovation allowances: additional VAT liabilities and rebates), ]
- (c) Chapter 4 of Part 6 (research and development allowances: additional VAT liabilities and rebates).

### Textual Amendments

- F8** S. 546(aa) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(13)**
- F9** S. 546(b) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 27 para. 12**
- F10** S. 546(ba) inserted (with effect in accordance with s. 92 of the amending Act) by Finance Act 2005 (c. 7), **Sch. 6 para. 6**; S.I. 2007/949, art. 2

## 547 “Additional VAT liability” and “additional VAT rebate” **U.K.**

- (1) “Additional VAT liability” means an amount which a person becomes liable to pay by way of adjustment under the VAT capital items legislation in respect of input tax.

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- (2) “Additional VAT rebate” means an amount which a person becomes entitled to deduct by way of adjustment under the VAT capital items legislation in respect of input tax.

**548 Time when additional VAT liability or rebate is incurred or made** **U.K.**

- (1) The time when a person incurs an additional VAT liability or an additional VAT rebate is made to a person is the last day of the period—
- (a) which is one of the periods making up the VAT period of adjustment applicable to the asset in question under the VAT capital items legislation, and
  - (b) in which the increase or decrease in use giving rise to the liability or rebate occurs.
- (2) “VAT period of adjustment” means a period specified under the VAT capital items legislation by reference to which adjustments are made in respect of input tax.

**549 Chargeable period in which, and time when, additional VAT liability or rebate accrues** **U.K.**

- (1) The chargeable period in which, and the time when, an additional VAT liability or additional VAT rebate accrues is set out in the Table.

Table

Accrual of VAT liabilities and rebates

<i>Circumstances</i>	<i>Chargeable period</i>	<i>Time of accrual</i>
The liability or rebate is accounted for in a VAT return.	The chargeable period which includes the last day of the period to which the VAT return relates.	The last day of the period to which the VAT return relates.
The Commissioners of Customs and Excise assess the liability or rebate as due before a VAT return is made.	The chargeable period which includes the day on which the assessment is made.	The day on which the assessment is made.
The relevant activity is permanently discontinued before the liability or rebate is accounted for in a VAT return or assessed by the Commissioners.	The chargeable period in which the relevant activity is permanently discontinued.	The last day of the chargeable period in which the relevant activity is permanently discontinued.

- (2) In the Table—
- (a) “VAT return” means a return made to the Commissioners of Customs and Excise for the purposes of value added tax, and
  - (b) “the relevant activity” means the trade or, in relation to Part 2, the qualifying activity to which the additional VAT liability or additional VAT rebate relates.

**550 Apportionment of additional VAT liabilities and rebates** **U.K.**

- (1) This section applies if—

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- (a) any provision of this Act requires an allowance or charge to which a person is entitled or liable in respect of any qualifying expenditure to be determined by reference to—
    - (i) a proportion only of that expenditure, or
    - (ii) a proportion only of what that allowance or charge would have been apart from that provision, and
  - (b) the person incurs an additional VAT liability or an additional VAT rebate is made to the person in respect of that expenditure.
- (2) The additional VAT liability or rebate is subject to the same apportionment as the original expenditure, allowance or charge.

### 551 Supplementary **U.K.**

- (1) In this Chapter, “the VAT capital items legislation” means any Act or instrument (whenever passed or made) providing for the proportion of input tax on an asset of a specified description which may be deducted by a person from his output tax to be adjusted from time to time as a result of—
- (a) an increase, or
  - (b) a decrease,
- in the extent to which the asset is used by him for making taxable supplies (or taxable supplies of a specified class or description) during a specified period.
- (2) In this Chapter “the VAT capital items legislation” also includes any other Act or instrument (whenever passed or made) which provides for Article 20(2) to (4) of the Sixth VAT Directive to be given effect.
- (3) “The Sixth VAT Directive” means the Sixth Directive ([77/388/EEC](#)) of the Council of the European Communities on Value Added Tax, dated 17th May 1977.
- (4) In this Chapter “input tax”, “output tax” and “taxable supply” have the same meaning as in VATA 1994.

## CHAPTER 3 **U.K.**

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

#### *Introduction*

### 552 Meaning of “oil licence” and “interest in an oil licence” **U.K.**

- (1) In this Chapter “oil licence” means a UK oil licence or a foreign oil concession.
- (2) In this Chapter “UK oil licence” means a licence under—
- (a) Part I of the Petroleum Act 1998 (c. 17) (“the 1998 Act”), or
  - (b) the Petroleum (Production) Act (Northern Ireland) 1964 (c. 28 (N.I.)) (“the 1964 Act”),
- authorising the winning of oil.
- (3) In this Chapter “foreign oil concession” means any right which—

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- (a) is a right to search for or win oil that exists in its natural condition in a place to which neither the 1998 Act nor the 1964 Act applies, and
  - (b) is conferred or exercisable (whether or not under a licence) in relation to a particular area.
- (4) In this Chapter “interest in an oil licence” includes, if there is an agreement which—
- (a) relates to oil from the whole or a part of the licensed area, and
  - (b) was made before the extraction of the oil to which it relates,
- any entitlement under the agreement to, or to a share of, that oil or the proceeds of its sale.

#### *Oil licences relating to undeveloped areas*

### **553 Consideration to be treated as nil U.K.**

- (1) This section applies if—
- (a) there is a material disposal of an oil licence which, at the time of the disposal, relates to an undeveloped area, and
  - (b) any of the consideration for the disposal consists of—
    - (i) another oil licence, or an interest in another oil licence, which at that time relates to an undeveloped area, or
    - (ii) an obligation to undertake exploration work or appraisal work in an area which is or forms part of the licensed area in relation to the licence disposed of.
- (2) The value of the consideration within subsection (1)(b) is to be treated as nil for the purposes of—
- (a) Part 5 (mineral extraction allowances),
  - (b) Part 6 (research and development allowances), and
  - (c) section 555 (disposal of oil licence with exploitation value).
- (3) A “material disposal” of an oil licence means any disposal (including a part disposal and a disposal of an interest in an oil licence) other than a disposal in relation to which section 568 or 569 (sales treated as being for alternative amount) has effect.
- (4) If—
- (a) the material disposal is part of a larger transaction under which one party makes to another material disposals of two or more licences, and
  - (b) at the time of disposal, each of those licences relates to an undeveloped area,
- the licensed area for the purposes of subsection (1)(b) is the totality of the licensed areas in relation to those licences.
- (5) In relation to a material disposal of a licence under which the buyer acquires an interest in the licence only so far as it relates to part of the licensed area, any reference in this section and section 554 to the licensed area is to be read as a reference only to that part of the licensed area to which the buyer’s acquisition relates.
- (6) In subsection (1)(b)—
- “exploration work”, in relation to an area, means work carried out for the purpose of searching for oil anywhere in that area, and

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“appraisal work”, in relation to an area, means work carried out for the purpose of ascertaining—

- (a) the extent or characteristics of any oil-bearing area the whole or part of which lies in that area, or
- (b) what the reserves of oil of any such oil-bearing area are.

#### **554 Circumstances in which oil licence relates to undeveloped area** U.K.

- (1) A UK oil licence relates to an undeveloped area if—
  - (a) no consent for development has been granted to the licensee for any part of the licensed area by the relevant authority, and
  - (b) no programme of development has been served on the licensee or approved for any part of the licensed area by the relevant authority.
- (2) A foreign oil concession relates to an undeveloped area if—
  - (a) no development has actually taken place in any part of the licensed area, and
  - (b) no condition for the carrying out of development anywhere in that area has been satisfied—
    - (i) by the grant of any consent by the authorities of a country or territory exercising jurisdiction in relation to the area, or
    - (ii) by the approval or service on the licensee, by any such authorities, of any programme of development.
- (3) Subsections (4) and (5) of section 36 of FA 1983 (meaning of development) apply for the purposes of subsections (1) and (2).
- (4) In subsection (1) “licensee” means—
  - (a) the person entitled to the benefit of the licence or, if two or more persons are entitled to the benefit, each of those persons, and
  - (b) a person who has rights under an agreement which is—
    - (i) approved by <sup>F11</sup>the Commissioners for Her Majesty’s Revenue and Customs], and
    - (ii) certified by the relevant authority to confer on that person rights which are the same as, or similar to, those conferred by a licence.
- (5) In subsection (2) “licensee” means the person with the concession or any person having an interest in it.

#### **Textual Amendments**

**F11** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Disposal of oil licence with exploitation value*

#### **555 Disposal of oil licence with exploitation value** U.K.

- (1) This section applies if—
  - (a) a person (“the seller”) disposes of an interest in an oil licence to another (“the buyer”), and

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- (b) part of the value of the interest is attributable to allowable exploration expenditure incurred by the seller.
- (2) For the purposes of Part 6 (research and development allowances) the disposal is to be treated as a disposal by which the seller ceases to own an asset representing the allowable exploration expenditure to which that part of the value of the interest is attributable.
- (3) Part 6 applies as if the disposal value to be brought into account were equal to so much of the buyer’s expenditure on acquiring the interest as it is just and reasonable to attribute to that part of the value of the interest.
- (4) In this section “allowable exploration expenditure” means expenditure which—
- (a) is incurred on mineral exploration and access within the meaning of Part 5 (mineral extraction allowances), and
  - (b) is qualifying expenditure for the purposes of Part 6.

#### *Minor definitions*

### 556 Minor definitions **U.K.**

- (1) In this Chapter “licensed area” means (subject to section 553(4) and (5))—
- (a) in relation to a UK oil licence, the area to which the licence applies, and
  - (b) in relation to a foreign oil concession, the area in relation to which the right to search for or win oil is conferred or exercisable under the concession.
- (2) In this Chapter “the relevant authority”, in relation to a UK oil licence means—
- (a) in the case of a licence under Part I of the 1998 Act<sup>F12</sup>—
    - <sup>F13</sup>(ai) the Scottish Ministers, in relation to the Scottish onshore area, as defined in section 8A of that Act;
    - (i) the Welsh Ministers, in relation to the Welsh onshore area (as defined in section 8A of that Act);
    - (ii) otherwise the Oil and Gas Authority, and], and
  - (b) in the case of a licence under the 1964 Act, the Department of Enterprise, Trade and Investment in Northern Ireland.
- (3) In this Chapter “oil”—
- (a) in relation to a UK oil licence, means any substance won or capable of being won under the authority of a licence granted under Part I of the 1998 Act or the 1964 Act, other than methane gas won in the course of operations for making and keeping mines safe, and
  - (b) in relation to a foreign oil concession, means any petroleum (as defined by section 1 of the 1998 Act).

#### **Textual Amendments**

**F12** Words in s. 556(2)(a) substituted (1.10.2018) by [Wales Act 2017 \(c. 4\), s. 71\(4\)](#), [Sch. 6 para. 23](#) (with [Sch. 7 paras. 1, 6](#)); [S.I. 2017/1179, reg. 4\(b\)](#)

**F13** S. 556(2)(a)(ai) inserted (1.10.2018 immediately after [Wales Act 2017 \(c. 4\)](#), [Sch. 6 Pt. 2](#) comes into force) by [The Scotland Act 2016 \(Onshore Petroleum\) \(Consequential Amendments\) Regulations 2018 \(S.I. 2018/79\)](#), [regs. 1\(3\), 11](#)

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

- C1** S. 556(2) modified (temp.) (9.2.2018) by [The Scotland Act 2016 \(Onshore Petroleum\) \(Consequential Amendments\) Regulations 2018 \(S.I. 2018/79\)](#), regs. 1(2), 6 (with art. 2)

## CHAPTER 4 **U.K.**

### PARTNERSHIPS, SUCCESSIONS AND TRANSFERS

**557 Application of sections 558 and 559 **U.K.****

Sections 558 (effect of partnership changes) and 559 (effect of successions) apply for the purposes of this Act other than—

- (a) Part 2 (plant and machinery allowances),
- (b) Part 6 (research and development allowances), and
- (c) Part 10 (assured tenancy allowances).

**558 Effect of partnership changes **U.K.****

(1) This section applies if—

- (a) a relevant activity has been set up and is at any time carried on in partnership,
- (b) there has been a change in the persons engaged in carrying on the relevant activity, and
- <sup>F14</sup>(c) the condition in subsection (1A) or (1B) (whichever is appropriate) is met.]

<sup>F15</sup>(1A) For income tax purposes, the condition is that a person carrying on the relevant activity immediately before the change continues to carry it on after the change.

(1B) For corporation tax purposes, the condition is that a company carrying on the relevant activity in partnership immediately before the change continues to carry it on in partnership after the change.]

(2) In this section—

“ the present partners ” means the person or persons for the time being carrying on the relevant activity, and

“ predecessors ”, in relation to the present partners, means their predecessors in carrying on the relevant activity.

(3) Any allowance or charge is to be made to or on the present partners.

(4) The amount of any allowance or charge arising under subsection (3) is to be calculated as if—

- (a) the present partners had at all times been carrying on the relevant activity, and
- (b) everything done to or by their predecessors in carrying on the relevant activity had been done to or by the present partners.

(5) In this section “ relevant activity ” means a trade, property business, profession or vocation.



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#### Textual Amendments

- F14** S. 558(1)(c) 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. 518\(2\)](#) (with Sch. 2 Pts. 1, 2)
- F15** S. 558(1A)(1B) 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. 518\(3\)](#) (with Sch. 2 Pts. 1, 2)

### 559 Effect of successions **U.K.**

- (1) This section applies if—
- (a) a person (“the successor”) succeeds to a relevant activity which until that time was carried on by another person (“the predecessor”), and
  - <sup>F16</sup>(b) the condition in subsection (1A) or (1B) (whichever is appropriate) is met.]

<sup>F17</sup>(1A) For income tax purposes, the condition is that no person carrying on the relevant activity immediately before the succession continues to carry it on after the succession.

(1B) For corporation tax purposes, the condition is that no company carrying on the relevant activity in partnership immediately before the succession continues to carry it on in partnership after the succession.]

- (2) The property in question is to be treated as if—
- (a) it had been sold to the successor when the succession takes place, and
  - (b) the net proceeds of the sale were the market value of the property.
- (3) The property in question is any property which—
- (a) immediately before the succession, was in use for the purposes of the discontinued relevant activity, and
  - (b) immediately after the succession, and without being sold, is in use for the purposes of the new relevant activity.
- (4) No entitlement to an initial allowance arises under this section.
- (5) In this section “relevant activity” means a trade, property business, profession or vocation.

#### Textual Amendments

- F16** S. 559(1)(b) 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. 519\(2\)](#) (with Sch. 2 Pts. 1, 2)
- F17** S. 559(1A)(1B) substituted for s. 559(1A) (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. 519\(3\)](#) (with Sch. 2 Pts. 1, 2)

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

- C2** S. 559 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\), Sch. 13 para. 10\(2\)](#)

### 560 Transfer of insurance company business **U.K.**

- (1) This section applies if—
- (a) assets are transferred as part of, or in connection with, the transfer of the whole or part of the business of an insurance company to another company,

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- (b) the transfer is—
- (i) in accordance with <sup>F18</sup> an insurance business transfer scheme to transfer business which consists of the effecting or carrying out of contracts of long-term insurance, or]
  - (ii) a qualifying overseas transfer <sup>F19</sup> ....
- (2) But this section does not apply in relation to any asset transferred to a non-resident company unless the asset will fall to be treated, immediately after the transfer, as an asset which is held for the purposes of the whole or a part of so much of any business carried on by the non-resident company as is carried on through a <sup>F20</sup>permanent establishment] in the United Kingdom.
- (3) This section also does not apply if section 561 applies (<sup>F21</sup>transfer or division of UK business]).
- (4) If this section applies—
- (a) any allowances and charges that would have been made to or on the transferor are to be made instead to or on the transferee, and
  - (b) the amount of any such allowance or charge is to be calculated as if everything done to or by the transferor had been done to or by the transferee,
- but no sale or transfer of assets made to the transferee by the transferor is to be treated as giving rise to any such allowance or charge.
- (5) In this section—
- <sup>F22</sup>(a) .....
  - <sup>F23</sup>(b) .....
  - <sup>F24</sup>(c) .....
  - <sup>F25</sup>(d) “non-resident company” means a company resident outside the United Kingdom.]
  - <sup>F26</sup>(e) qualifying overseas transfer” means so much of a transfer of the whole or any part of the business of an overseas life insurance company carried on through a permanent establishment in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of <sup>F27</sup>Article 39 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ].]

#### Textual Amendments

- F18** Words in s. 560(1)(b)(i) substituted (1.12.2001) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001](#) (S.I. 2001/3629), **art. 108(2)(4)**
- F19** Words in s. 560(1)(b)(ii) omitted (17.7.2012) by virtue of [Finance Act 2012](#) (c. 14), **Sch. 16 para. 105(2)**
- F20** Words in s. 560(2) substituted (with effect in accordance with s. 153(4) of the amending Act) by [Finance Act 2003](#) (c. 14), **s. 153(1)(d)**
- F21** Words in s. 560(3) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/689), regs. 1, **10(4)** (with regs. 39-41); 2020 c. 1, **Sch. 5 para. 1(1)**
- F22** S. 560(5)(a) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007](#) (c. 11), **Sch. 10 para. 14(8)(c)**, **Sch. 27 Pt. 2(10)**
- F23** S. 560(5)(b) repealed (with effect in accordance with Sch. 9 para. 17(1) of the amending Act) by [Finance Act 2007](#) (c. 11), **Sch. 9 para. 1(2)(f)**, **Sch. 27 Pt. 2(9)**

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- F24** S. 560(5)(c) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by Finance Act 2007 (c. 11), Sch. 10 para. 14(8)(c), **Sch. 27 Pt. 2(10)**
- F25** S. 560(5)(b)-(d) substituted (1.12.2001) for s. 560(5)(b) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), **art. 108(3)(b)(4)**
- F26** S. 560(5)(e) inserted (17.7.2012) by Finance Act 2012 (c. 14), **Sch. 16 para. 105(3)**
- F27** Words in s. 560(5)(e) substituted (1.1.2016) by The Solvency 2 Regulations 2015 (S.I. 2015/575), reg. 1(2), **Sch. 1 para. 22**

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

- C3** S. 560 modified (1.1.2002) by S.I. 1997/473, **reg. 53D** (as inserted by S.I. 2001/3975, **reg. 8**)
- C4** S. 560 amendment to earlier affecting provision SI 1997/473 (8.4.2004) by The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2004 (S.I. 2004/822), regs. 1, **40**

**[<sup>F28</sup>560A Transfers of trade without a change of ownership U.K.]**

- (1) This Act has effect subject to Chapter 1 of Part 22 of CTA 2010 (unless section 561 or 561A below applies in relation to the transfer in question).
- (2) See, in particular, section 948 of that Act.]

**Textual Amendments**

- F28** S. 560A inserted (1.4.2010) (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. 359** (with Sch. 2)

**561 [<sup>F29</sup>Transfer or division of UK business] U.K.]**

<sup>F30</sup>(1) This section applies if and in so far as—

- (a) a qualifying company resident in one [<sup>F31</sup>relevant state] (“the transferor”) transfers the whole or part of a business carried on by it in the United Kingdom to one or more qualifying companies resident in one or more other [<sup>F32</sup>relevant states] (“the transferee” or “the transferees”),
- (b) section 140A of TCGA 1992 (transfer of assets treated as no-gain no-loss disposal) applies in relation to the transfer, and
- (c) immediately after the transfer the transferee (or one or more of the transferees) —
- (i) is resident in the United Kingdom, or
- (ii) carries on in the United Kingdom through a permanent establishment a business which consists of, or includes, the business or part of the business transferred.]

(2) If this section applies—

- (a) the transfer itself does not give rise to any allowances or charges under this Act, and
- (b) in relation to assets included in the transfer, anything done to or by [<sup>F33</sup>the transferor] before the transfer is to be treated after the transfer as having been done to or by [<sup>F34</sup>the transferee (or each transferee)].

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- (3) If, for the purposes of subsection (2)(b), expenditure falls to be apportioned between assets included in the transfer and other assets, the apportionment is to be made in a just and reasonable manner.
- (4) In this section “qualifying company” means a body incorporated under the law of a [<sup>F35</sup>relevant state].
- [<sup>F36</sup>(4A) In this section “relevant state” means the United Kingdom or a member State.]
- (5) If this section applies, [<sup>F37</sup>section 948 of CTA 2010 (modified application of CAA 2001 in relation to trade transfers without a change of ownership) does not apply].

#### Textual Amendments

- F29** S. 561 heading substituted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 1 para. 25\(4\)](#) (as modified by S.I. 2008/1579, regs. 1(2), 4(1))
- F30** S. 561(1) substituted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 1 para. 25\(2\)](#) (as modified by S.I. 2008/1579, regs. 1(2), 4(1))
- F31** Words in s. 561(1)(a) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), reg. 1, [10\(5\)\(a\)\(i\)](#) (with regs. 39-41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)
- F32** Words in s. 561(1)(a) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), reg. 1, [10\(5\)\(a\)\(ii\)](#) (with regs. 39-41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)
- F33** Words in s. 561(2)(b) substituted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 1 para. 25\(3\)\(a\)](#) (as modified by S.I. 2008/1579, regs. 1(2), 4(1))
- F34** Words in s. 561(2)(b) substituted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 1 para. 25\(3\)\(b\)](#) (as modified by S.I. 2008/1579, regs. 1(2), 4(1))
- F35** Words in s. 561(4) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), reg. 1, [10\(5\)\(b\)](#) (with regs. 39-41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)
- F36** S. 561(4A) inserted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), reg. 1, [10\(5\)\(c\)](#) (with regs. 39-41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)
- F37** Words in s. 561(5) substituted (1.4.2010) (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. 360](#) (with Sch. 2)

#### [<sup>F38</sup>561A] **Transfer of asset by reason of cross-border merger** **U.K.**

- (1) This section applies to the transfer of a qualifying asset as part of the process of a merger to which section 140E of TCGA 1992 (mergers: assets within UK tax charge) applies (or would apply but for section 140E(2)(c)).
- (2) Where this section applies to a transfer—
- (a) the transfer does not give rise to any allowance or charge under this Act,
  - (b) anything done to or by the transferor in relation to assets transferred is to be treated after the transfer as having been done to or by the transferee (with any necessary apportionment of expenditure being made in a reasonable manner), and
  - (c) [<sup>F39</sup>section 948 of CTA 2010 (modified application of CAA 2001 in relation to trade transfers without a change of ownership) does not apply.]

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*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)*

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- (3) For the purposes of subsection (1) an asset is a “qualifying asset” if—
- (a) it is transferred to the transferee as part of the process of the merger, and
  - (b) subsections (4) and (5) are satisfied in respect of it.
- (4) This subsection is satisfied in respect of an asset if—
- (a) the transferor is resident in the United Kingdom at the time of the transfer, or
  - (b) the asset is an asset of a permanent establishment in the United Kingdom of the transferor.
- (5) This subsection is satisfied in respect of an asset if—
- (a) the transferee is resident in the United Kingdom at the time of the transfer, or
  - (b) the asset is an asset of a permanent establishment of the transferee in the United Kingdom immediately following the transfer.]

#### Textual Amendments

- F38** S. 561A substituted (with effect in accordance with reg. 3(2) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 2 para. 14](#)
- F39** S. 561A(2)(c) substituted (1.4.2010) (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. 361](#) (with [Sch. 2](#))

## CHAPTER 5 **U.K.**

### MISCELLANEOUS

#### *Apportionment*

#### **562 Apportionment where property sold together **U.K.****

- (1) Any reference in this Act to the sale of property includes the sale of that property together with any other property.
- (2) For the purposes of subsection (1), all property sold as a result of one bargain is to be treated as sold together even though—
- (a) separate prices are, or purport to be, agreed for separate items of that property, or
  - (b) there are, or purport to be, separate sales of separate items of that property.
- (3) If an item of property is sold together with other property, then, for the purposes of this Act—
- (a) the net proceeds of the sale of that item are to be treated as being so much of the net proceeds of sale of all the property as, on a just and reasonable apportionment, is attributable to that item, and
  - (b) the expenditure incurred on the provision or purchase of that item is to be treated as being so much of the consideration given for all the property as, on a just and reasonable apportionment, is attributable to that item.

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)*

- (4) This section applies, with the necessary modifications, to other proceeds (consisting of insurance money or other compensation) as it applies in relation to the net proceeds of a sale.
- (5) This section applies in relation to Part 5 as if expenditure on the provision or purchase of an item of property included expenditure on the acquisition of—
- (a) a mineral asset (as defined by section 397), or
  - (b) land outside the United Kingdom.

*Procedure for determining certain questions*

**563 Procedure for determining certain questions affecting [<sup>F40</sup>one] or more persons **U.K.****

- (1) This section applies in relation to the determination of a question if—
- (a) at the time when the question falls to be determined, it appears that the determination is material to the liability to tax (for whatever period) of [<sup>F41</sup>one] or more persons, and
  - (b) section 564 provides for this section to apply.

<sup>F42</sup>(2) .....

<sup>F42</sup>(3) .....

<sup>F42</sup>(4) .....

<sup>F42</sup>(5) .....

- [<sup>F43</sup>(6) An application for the tribunal to determine the question is to be subject to the relevant provisions of Part 5 of the Taxes Management Act 1970 (see, in particular, section 48(2)(b) of that Act), and each of the persons concerned is entitled to be a party to the proceedings on the application.]

**Textual Amendments**

- F40** Word in s. 563 heading substituted (with effect in accordance with Sch. 10 para. 11 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 10 para. 5(2)**
- F41** Word in s. 563(1)(a) substituted (with effect in accordance with Sch. 10 para. 11 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 10 para. 5(1)**
- F42** S. 563(2)-(5) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 299(2)**
- F43** S. 563(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 299(3)**

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

- C5** S. 563(2)-(6) applied (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **ss. 607**, (with [Sch. 2](#))
- C6** S. 563(2)-(6) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 177(5)**, 1329(1) (with [Sch. 2 Pts. 1, 2](#))
- C7** S. 563(2)-(6) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), **ss. 930**, 1329(1) (with [Sch. 2 Pts. 1, 2](#))

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)*

**564 Questions to which procedure in section 563 applies** **U.K.**

- (1) Section 563 applies in relation to the determination for the purposes of any of Parts [F<sup>44</sup>3A] to 11 or this Part of any question about the way in which a sum is to be apportioned.
- (2) Section 563 applies in relation to any determination of the market value of property for the purposes of—
  - (a) any provision of Part 2 (plant and machinery allowances),
  - (b) section 423 (mineral extraction allowances: amount of disposal value to be brought into account),
  - (c) section 559 (effect of successions),
  - (d) section 568 or 569 (sales treated as being for alternative amount), or
  - (e) section 573 (transfers treated as sales).
- <sup>F45</sup>(3) . . . . .
- (4) If section 561 ([F<sup>46</sup>transfer or division of UK business]) applies, section 563 applies—
  - (a) for the purposes of the tax of both company A and company B referred to in that section, and
  - (b) in relation to the determination of any question of apportionment of expenditure under section 561(3).

**Textual Amendments**

- F44** Word in s. 564(1) substituted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 13\(a\)](#)
- F45** S. 564(3) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 13\(b\)](#)
- F46** Words in s. 564(4) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, [10\(6\)](#) (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

*Tax agreements for income tax purposes*

**565 Tax agreements for income tax purposes** **U.K.**

- (1) This section applies if—
  - (a) a person is entitled to an allowance for income tax purposes,
  - (b) that person enters into a tax agreement with [F<sup>11</sup>an officer of Revenue and Customs] for the tax year in which the allowance would be given effect, and
  - (c) no assessment giving effect to the allowance is made for that tax year.
- (2) In this section “ tax agreement ” means an agreement in writing as to the extent to which the allowance in question is to be given effect for the tax year in question.
- (3) If this section applies, the allowance is to be treated as if it had been given effect under an assessment—
  - (a) for the tax year for which the tax agreement is made, and
  - (b) to the extent set out in the tax agreement.
- (4) A tax agreement may relate to any method by which allowances are given effect under this Act.

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)*

### Textual Amendments

- F11** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)

### *Companies not resident in the United Kingdom*

#### **566 Companies not resident in the United Kingdom** **U.K.**

- (1) This section applies if a company not resident in the United Kingdom is—
  - (a) within the charge to corporation tax in respect of one source of income, and
  - (b) within the charge to income tax in respect of another source.
- (2) Allowances related to any source of income are to be given effect against income chargeable to the same tax as is chargeable on income from that source.

### *Sales treated as being for alternative amount*

#### **567 Sales treated as being for alternative amount: introductory** **U.K.**

- (1) Sections 568 to 570 apply for the purposes of Parts <sup>F47</sup>... [<sup>F48</sup>3A,]<sup>F47</sup>... <sup>F49</sup>... 5, 6 and 10.
- (2) For the purposes of sections 568 to 570, the control test is met if—
  - (a) the buyer is a body of persons over whom the seller has control,
  - (b) the seller is a body of persons over whom the buyer has control,
  - (c) both the seller and the buyer are bodies of persons and another person has control over both of them, or
  - (d) the seller and the buyer are connected persons.
- (3) In subsection (2) “body of persons” includes a partnership.
- (4) For the purposes of sections 568 to 570, the tax advantage test is met if it appears that the sole or main benefit which might be expected to accrue from—
  - (a) the sale, or
  - (b) transactions of which the sale is one,
 is the obtaining of a tax advantage by all or any of the parties under any provision of this Act except Part 2.
- (5) Sections 568 to 570 do not apply if section 561 applies ([<sup>F50</sup>transfer or division of UK business]).

### Textual Amendments

- F47** Word in s. 567(1) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 14](#)
- F48** Word in s. 567(1) inserted (with effect in accordance with s. 92 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 6 para. 7](#); S.I. 2007/949, art. 2
- F49** Word in s. 567(1) omitted (with effect in accordance with Sch. 39 para. 40 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 38\(4\)](#) (with [Sch. 39 paras. 41, 42](#))



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**F50** Words in s. 567(5) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **10(7)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

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

- C8** Ss. 567-570 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 4(4)**; [S.I. 2005/1444](#), art. 2(1), Sch. 1
- C9** Ss. 567-570 excluded (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 24(4)**; [S.I. 2005/1909](#), art. 2, Sch.
- C10** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), **Sch. 13 para. 21(6)**
- C11** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), **Sch. 13 para. 38(6)**

**568 Sales treated as being at market value** **U.K.**

- (1) A sale of property that is not at market value is treated as being at market value if—
- the control test is met, or
  - the tax advantage test is met.
- (2) This section is subject to any election under section 569.

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

- C8** Ss. 567-570 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 4(4)**; [S.I. 2005/1444](#), art. 2(1), Sch. 1
- C9** Ss. 567-570 excluded (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 24(4)**; [S.I. 2005/1909](#), art. 2, Sch.
- C10** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), **Sch. 13 para. 21(6)**
- C11** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), **Sch. 13 para. 38(6)**

**569 Election to treat sale as being for alternative amount** **U.K.**

- (1) The parties to a sale of property that is not for the alternative amount may elect for the sale to be treated as being for the alternative amount if—
- the control test is met or section 573 applies (transfers treated as sales), and
  - the tax advantage test is not met.
- (2) Subsection (1) is subject to section 570.
- (3) The alternative amount is the lower of market value and—
- if the sale is relevant for the purposes of Part <sup>F51</sup>...10, the residue of the qualifying expenditure immediately before the sale;
  - if the sale is relevant for the purposes of Part 5, the unrelieved qualifying expenditure immediately before the sale;
  - if the sale is relevant for the purposes of Part 6—
    - in a case where an allowance under Part 6 is given for the expenditure represented by the asset sold, nil;
    - in any other case, the qualifying expenditure represented by the asset sold.
- (4) In subsection (3) “ residue of qualifying expenditure ”, “ unrelieved qualifying expenditure ” and “ qualifying expenditure ” have the same meaning as in the Part for the purposes of which the sale is relevant.

*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)

- (5) If the sale—
- (a) is relevant for the purposes of Part <sup>F52</sup>...10, and
  - (b) is treated as being for the residue of the qualifying expenditure immediately before the sale,
- no balancing adjustment is to be made as a result of the sale under section <sup>F53</sup>...517 (building not a qualifying dwelling-house throughout).
- (6) If, after the date of the sale, an event occurs as a result of which a balancing charge would have fallen to be made on the seller if—
- (a) he had continued to own the property, and
  - (b) he had done all such things, and been allowed all such allowances, as were done by or allowed to the buyer,
- the balancing charge is to be made on the buyer.
- (7) All such assessments and adjustments of assessments are to be made as are necessary to give effect to the election.
- (8) For the purposes of this section and section 570, a sale is relevant for the purposes of a Part if it is of property of a kind that is relevant for deciding whether an allowance or charge is made under that Part.

#### Textual Amendments

- F51** Words in s. 569(3)(a) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 15\(a\)](#)
- F52** Words in s. 569(5)(a) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 15\(a\)](#)
- F53** Words in s. 569(5) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 15\(b\)](#)

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

- C8** Ss. 567-570 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 4\(4\)](#); [S.I. 2005/1444](#), art. 2(1), Sch. 1
- C9** Ss. 567-570 excluded (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 24\(4\)](#); [S.I. 2005/1909](#), art. 2, Sch.
- C10** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), [Sch. 13 para. 21\(6\)](#)
- C11** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), [Sch. 13 para. 38\(6\)](#)

## 570 Elections: supplementary **U.K.**

- (1) Section 569(1) does not apply to a sale that is relevant for the purposes of [<sup>F54</sup>3A]<sup>F55</sup> ...  
<sup>F56</sup>....
- (2) No election under section 569 may be made if—
- (a) the circumstances of the sale or the parties to it mean that a relevant allowance or charge will not be capable of falling to be made, or
  - (b) the buyer is a dual resident investing company.
- (3) In subsection (2)(a) “ relevant allowance or charge ” means an allowance or charge under Part <sup>F57</sup>... 5, 6, 9 or 10 which (ignoring the circumstances mentioned in

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subsection (2)(a)) would or might fall to be made, as a result of the sale, to or on any of the parties to it.

- (4) If the sale is relevant for the purposes of Part 10, no election under section 569 may be made unless, at the time of the sale or any earlier time, both the seller and the buyer are or have been approved bodies (as defined in section 492).
- (5) An election under section 569 must be made by notice to [F11 an officer of Revenue and Customs] not later than 2 years after the sale.

#### Textual Amendments

- F11** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F54** Word in s. 570(1) inserted (with effect in accordance with s. 92 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 6 para. 8](#); S.I. 2007/949, art. 2
- F55** Word in s. 570(1) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 16\(a\)](#)
- F56** Words in s. 570(1) omitted (with effect in accordance with Sch. 39 para. 40 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 38\(5\)](#) (with [Sch. 39 paras. 41, 42](#))
- F57** Word in s. 570(3) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 16\(b\)](#)

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

- C8** Ss. 567-570 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 4\(4\)](#); S.I. 2005/1444, art. 2(1), [Sch. 1](#)
- C9** Ss. 567-570 excluded (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 24\(4\)](#); S.I. 2005/1909, art. 2, [Sch.](#)
- C10** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), [Sch. 13 para. 21\(6\)](#)
- C11** Ss. 567-570 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), [Sch. 13 para. 38\(6\)](#)

### *[F58 Anti-avoidance*

#### Textual Amendments

- F58** S. 570A and cross-heading inserted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), s. 164(1) (with s. 164(2))

### **570A Avoidance affecting proceeds of balancing event** **U.K.**

- (1) This section applies where an event occurs in relation to an asset (a “balancing event”) as a result of which a balancing allowance would (but for this section) fall to be made to a person (“the taxpayer”) under Part <sup>F59</sup>...<sup>F60</sup>, 3A<sup>F59</sup>... <sup>F61</sup>... 5 or 10.
- (2) The taxpayer is not entitled to any balancing allowance if, as a result of a tax avoidance scheme, the amount to be brought into account as the proceeds from the event is less than it would otherwise have been.
- (3) In subsection (2) a “tax avoidance scheme” means a scheme or arrangement the main purpose, or one of the main purposes, of which is the obtaining of a tax advantage by the taxpayer.

*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)

- (4) Where this section applies to deny a balancing allowance, the residue of qualifying expenditure immediately after the balancing event is nevertheless calculated as if the balancing allowance had been made.
- (5) In this section as it applies for the purposes of Part 5 (mineral extraction allowances)—
- (a) the references to the proceeds from the balancing event that are to be brought into account shall be read as references to the disposal value to be brought into account, and
  - (b) the reference to the residue of qualifying expenditure shall be read as a reference to the unrelieved qualifying expenditure.]

#### Textual Amendments

- F59** Word in s. 570A(1) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 17](#)
- F60** Word in s. 570A(1) inserted (with effect in accordance with s. 92 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 6 para. 9](#); S.I. 2007/949, art. 2
- F61** Word in s. 570A(1) omitted (with effect in accordance with Sch. 39 para. 40 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 38\(6\)](#) (with [Sch. 39 paras. 41, 42](#))

## CHAPTER 6 **U.K.**

### FINAL PROVISIONS

#### <sup>F62</sup>Orders and regulations

#### Textual Amendments

- F62** S. 570B and cross-heading inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 409](#) (with [Sch. 2](#))

### **570B Orders and regulations made by Treasury or Commissioners **U.K.****

- (1) Any orders or regulations made by the Treasury or the Commissioners for Her Majesty's Revenue and Customs under this Act must be made by statutory instrument.
- (2) Any orders or regulations made by the Treasury or the Commissioners under this Act are subject to annulment in pursuance of a resolution of the House of Commons.
- (3) Subsection (2) does not apply to any regulations made under section [<sup>F63</sup>45P, [<sup>F64</sup>45R,] 70YJ or 270BNC] or any order made under section 82(4)(d).]
- [<sup>F65</sup>(4) An instrument containing regulations under section 45P[<sup>F66</sup>, 45R] or 270BNC must be laid before the House of Commons after being made.
- (5) If the regulations are not approved by the House of Commons before the end of the period of 28 days beginning with the day on which they are made, they cease to have effect at the end of that period (if they have not already ceased to have effect under subsection (6)).

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*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)

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- (6) If, on any day during that period of 28 days, the House of Commons, in proceedings on a motion that (or to the effect that) the regulations be approved, comes to a decision rejecting the regulations, they shall cease to have effect at the end of that day.
- (7) In reckoning any such period of 28 days, no account is to be taken of any time during which—
- (a) Parliament is prorogued or dissolved, or
  - (b) the House of Commons is adjourned for more than four days.
- (8) Where regulations cease to have effect under subsection (6), their ceasing to have effect is without prejudice to anything done in reliance on them.]

#### Textual Amendments

- F63** Words in s. 570B(3) substituted (10.6.2021) by Finance Act 2021 (c. 26), Sch. 22 para. 16(2)
- F64** Word in s. 570B(3) inserted (24.2.2022) by Finance Act 2022 (c. 3), Sch. 16 para. 4(2)
- F65** S. 570B(4)-(8) inserted (10.6.2021) by Finance Act 2021 (c. 26), Sch. 22 para. 16(3)
- F66** Word in s. 570B(4) inserted (24.2.2022) by Finance Act 2022 (c. 3), Sch. 16 para. 4(3)

#### General interpretation

#### 571 Application of Act to parts of assets **U.K.**

- (1) In this Act references to an asset of any kind (including a building or structure, plant or machinery or works) include a part of an asset.
- (2) But subsection (1) does not apply if the context otherwise requires.

#### 572 References to sale of property and time of sale **U.K.**

- (1) In this Act references to the sale of property include—
- (a) the exchange of property, and
  - (b) the surrender for valuable consideration of a leasehold interest (or, in Scotland, the interest of the tenant in property subject to a lease).
- (2) For the purposes of subsection (1), any provision of this Act referring to a sale has effect with the necessary modifications, including, in particular, those in subsection (3).
- (3) The modifications are that—
- (a) references to the net proceeds of sale and to the price include the consideration for the exchange or surrender, and
  - (b) references to capital sums included in the net proceeds of sale or paid on a sale include so much of the consideration for the exchange or surrender as would have been a capital sum if it had been a money payment.
- (4) Any reference in this Act (except in Part 6) to the time of any sale is to be read as a reference to whichever is the earlier of—
- (a) the time of completion, and
  - (b) the time when possession is given.

*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12. (See end of Document for details)

### 573 Transfers treated as sales **U.K.**

- (1) This section applies for the purposes of Parts [F672A,]F68 ... 3A<sup>F68</sup> ... F69 ... and 10 and other provisions of this Act relevant to those Parts if—
  - (a) there is a transfer of the interest which is the relevant interest for the purposes of the Part in question, and
  - (b) the transfer is not a sale.
- (2) The transfer is treated as a sale of the relevant interest.
- (3) The sale is treated as being at market value, subject to any election under section 569 (election to treat sale as being for alternative amount).
- (4) This section does not apply if section 561 applies ([F70transfer or division of UK business]).

#### Textual Amendments

- F67** Word in s. 573(1) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(14)**
- F68** Word in s. 573(1) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 27 para. 18**
- F69** Word in s. 573(1) omitted (with effect in accordance with Sch. 39 para. 40 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 39 para. 38(7)** (with [Sch. 39 paras. 41, 42](#))
- F70** Words in s. 573(4) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **10(8)** (with [regs. 39-41](#)); 2020 c. 1, Sch. 5 para. 1(1)

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

- C12** S. 573 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 15(2)**; S.I. 2005/1444, art. 2(1), Sch. 1
- C13** S. 573 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), **Sch. 13 para. 10(2)**

### [F71573ASpecial tax sites **U.K.**

In this Act “special tax site” means an area for the time being designated under section 113 of FA 2021.]

#### Textual Amendments

- F71** S. 573A substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 23 para. 15**

### 574 Meaning of “control” **U.K.**

- (1) In this Act “control” is used in the sense given in this section ([F72(but, for the purposes of section 575, this definition applies only where expressly indicated)]).
- (2) In relation to a body corporate (“company A”), “control” means the power of a person (“P”) to secure—
  - (a) by means of the holding of shares or the possession of voting power in relation to that or any other body corporate, or
  - (b) as a result of any powers conferred by the articles of association or other document regulating that or any other body corporate,

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that the affairs of company A are conducted in accordance with P's wishes.

- (3) In relation to a partnership, “ control ” means the right to a share of more than half of the assets, or of more than one half of the income, of the partnership.

#### Textual Amendments

**F72** Words in s. 574(1) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 410](#) (with [Sch. 2](#))

### [<sup>F73</sup>575 Meaning of “connected” persons **U.K.**

- (1) For the purposes of this Act whether a person is connected with another is determined in accordance with this section unless otherwise indicated.
- (2) An individual (“A”) is connected with another individual (“B”) if—
- A is B's spouse or civil partner,
  - A is a relative of B,
  - A is the spouse or civil partner of a relative of B,
  - A is a relative of B's spouse or civil partner, or
  - A is the spouse or civil partner of a relative of B's spouse or civil partner.
- (3) A person, in the capacity as trustee of a settlement, is connected with—
- any individual who is a settlor in relation to the settlement,
  - any person connected with such an individual,
  - any close company whose participators include the trustees of the settlement,
  - any non-UK resident company which, if it were UK resident, would be a close company whose participators include the trustees of the settlement,
  - any body corporate controlled (within the meaning of section 574) by a company within paragraph or ,
  - if the settlement is the principal settlement in relation to one or more sub-fund settlements, a person in the capacity as trustee of such a sub-fund settlement, and
  - if the settlement is a sub-fund settlement in relation to a principal settlement, a person in the capacity as trustee of any other sub-fund settlements in relation to the principal settlement.
- (4) A person who is a partner in a partnership is connected with—
- any partner in the partnership,
  - the spouse or civil partner of any individual who is a partner in the partnership, and
  - a relative of any individual who is a partner in the partnership.

But this subsection does not apply in relation to acquisitions or disposals of assets of the partnership pursuant to genuine commercial arrangements.

- (5) A company is connected with another company if—
- the same person has control of both companies,
  - a person (“A”) has control of one company and persons connected with A have control of the other company,

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- (c) A has control of one company and A together with persons connected with A have control of the other company, or
  - (d) a group of two or more persons has control of both companies and the groups either consist of the same persons or could be so regarded if (in one or more cases) a member of either group were replaced by a person with whom the member is connected.
- (6) A company is connected with another person (“A”) if—
- (a) A has control of the company, or
  - (b) A together with persons connected with A have control of the company.
- (7) In relation to a company, any two or more persons acting together to secure or exercise control of the company are connected with—
- (a) one another, and
  - (b) any person acting on the directions of any of them to secure or exercise control of the company.

#### Textual Amendments

**F73** Ss. 575, 575A substituted for s. 575 (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 411](#) (with [Sch. 2](#))

#### 575A Section 575: supplementary **U.K.**

- (1) In section 575 and this section—
- “company” includes any body corporate or unincorporated association, but does not include a partnership (and see also subsection (2)),
  - “control” is to be read in accordance with <sup>F74</sup>sections 450 and 451 of CTA 2010] (except where otherwise indicated),
  - “principal settlement” has the meaning given by paragraph 1 of Schedule 4ZA to TCGA 1992,
  - “relative” means brother, sister, ancestor or lineal descendant,
  - “settlement” has the same meaning as in Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act), and
  - “sub-fund settlement” has the meaning given by paragraph 1 of Schedule 4ZA to TCGA 1992.
- (2) For the purposes of section 575—
- (a) a unit trust scheme is treated as if it were a company, and
  - (b) the rights of the unit holders are treated as if they were shares in the company.
- (3) For the purposes of section 575 “trustee”, in the case of a settlement in relation to which there would be no trustees apart from this subsection, means any person—
- (a) in whom the property comprised in the settlement is for the time being vested, or
  - (b) in whom the management of that property is for the time being vested.

Section 466(4) of ITA 2007 does not apply for the purposes of this subsection.

- (4) If any provision of section 575 provides that a person (“A”) is connected with another person (“B”), it also follows that B is connected with A.]



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**Textual Amendments**

- F73** Ss. 575, 575A substituted for s. 575 (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 411](#) (with [Sch. 2](#))
- F74** Words in s. 575A(1) substituted (1.4.2010) (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. 362](#) (with [Sch. 2](#))

**F75 576 Meaning of “the Inland Revenue” etc. U.K.**

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**Textual Amendments**

- F75** S. 576 repealed (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 85](#), [Sch. 5](#); S.I. 2005/1126, art. 2(2)(h)(i)

**577 Other definitions U.K.**

(1) In this Act—

“dual resident investing company” has the same meaning as in <sup>F76</sup>section 949 of CTA 2010 (dual resident investing companies);

“market value”, in relation to any asset, means the price the asset would fetch in the open market;

“the normal time limit for amending a tax return”, in relation to a tax year, means the first anniversary of the 31st January following the tax year;

“notice” means a notice in writing;

“property business” means [<sup>F77</sup>a UK property business]<sup>F78</sup> ... or an overseas property business;

“ tax return ” has the meaning given by section 3(3);

<sup>F79</sup> .....

<sup>F80</sup> .....

(2) Any reference to the setting up, commencement or permanent discontinuance of—

- (a) a trade,
- (b) a property business,
- (c) a profession, or
- (d) a vocation,

includes, except where the contrary is expressly provided, the occurring of an event which, under any provision of the Income Tax Acts or Corporation Tax Acts, is to be treated as equivalent to the setting up, commencement or permanent discontinuance of a trade, property business, profession or vocation.

<sup>F81</sup>(2A) A person's ceasing to carry on a trade, property business, profession or vocation is treated for the purposes of this Act as the permanent discontinuance of the trade, property business, profession or vocation, whether or not it is in fact discontinued.

(2B) For income tax purposes, a change in the persons carrying on a trade, property business, profession or vocation is not treated as the permanent discontinuance of the

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trade, property business, profession or vocation if a person carrying it on immediately before the change continues to carry it on after the change.

- (2C) For corporation tax purposes, a change in the persons carrying on a trade or property business is not treated as the permanent discontinuance of the trade or property business if a company carrying it on in partnership immediately before the change continues to carry it on in partnership after the change.]
- (3) Any reference in this Act to an allowance made includes an allowance which would be made but for an insufficiency of profits, or other income, against which to make it.
- (4) For the purposes of this Act a person obtains a tax advantage if he—
- (a) obtains an allowance or a greater allowance, or
  - (b) avoids a charge or secures the reduction of a charge.
- (5) In Schedule 1—
- (a) Part 1 gives the meaning of abbreviated references in this Act to Acts about tax, and
  - (b) Part 2 lists where expressions used in this Act are defined or otherwise explained.

#### Textual Amendments

- F76** Words in s. 577(1) substituted (1.4.2010) (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. 363](#) (with Sch. 2)
- F77** Words in s. 577(1) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 573](#) (with Sch. 2)
- F78** Words in s. 577(1) 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. 520\(2\), Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)
- F79** Words in s. 577(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 412\(a\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F80** Words in s. 577(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 412\(b\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F81** S. 577(2A)-(2C) 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. 520\(3\)](#) (with Sch. 2 Pts. 1, 2)

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

- C14** S. 577(3) excluded (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), ss. 675\(2\), 1184\(1\)](#) (with Sch. 2)
- C15** S. 577(3) excluded (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), ss. 687\(4\), 1184\(1\)](#) (with Sch. 2)

*Amendments, repeals, citation etc.*

#### 578 Consequential amendments **U.K.**

Schedule 2 contains consequential amendments.

#### 579 Commencement and transitional provisions and savings **U.K.**

- (1) This Act has effect—

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- (a) for income tax purposes, as respects allowances and charges falling to be made for chargeable periods ending on or after 6th April 2001, and
  - (b) for corporation tax purposes, as respects allowances and charges falling to be made for chargeable periods ending on or after 1st April 2001.
- (2) References in this Act to a chargeable period to which this Act applies are to the chargeable periods given in subsection (1).
- (3) Subsection (1) is subject to Schedule 3, which contains transitional provisions and savings.

**580 Repeals** **U.K.**

Schedule 4 contains repeals.

**581 Citation** **U.K.**

This Act may be cited as the Capital Allowances Act 2001.

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 12.