



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 5

#### MINERAL EXTRACTION ALLOWANCES

### CHAPTER 4

#### QUALIFYING EXPENDITURE: SECOND-HAND ASSETS

*Qualifying expenditure on assets limited by reference to historic costs*

#### **412 Transfers of mineral assets within group: limit is initial group expenditure**

- (1) Subject to section 413, this section applies if—
  - (a) a company (“the buyer”) incurs capital expenditure on acquiring a mineral asset (“asset X”) from another company (“the seller”), and
  - (b) the seller is a group company in relation to the buyer at the time of the acquisition.
- (2) The buyer’s expenditure on acquiring asset X is to be left out of account for the purposes of this Part to the extent that it exceeds—
  - (a) the capital expenditure incurred by the seller on acquiring asset X, or
  - (b) if asset X is an interest or right granted by the seller in a mineral asset acquired by the seller (“asset Y”), so much of the capital expenditure incurred by the seller on asset Y as on a just and reasonable apportionment is referable to asset X.
- (3) If there is a sequence of acquisitions within subsection (1), apply subsection (2) in the same sequence (starting with the first acquisition in the sequence).
- (4) Subsections (5) to (7) apply if—
  - (a) the buyer is carrying on a mineral extraction trade, and
  - (b) the asset is an interest in land.

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**Changes to legislation:** There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 412. (See end of Document for details)

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- (5) Section 404 (exclusion of undeveloped market value of land) applies to the buyer as if the time of the buyer's acquisition of the interest in land were—
- (a) the time of the seller's acquisition of the interest, or
  - (b) if there is a sequence of acquisitions within subsection (1), the time when the interest was acquired by the company which is the seller in the first acquisition in the sequence.
- (6) Subject to subsection (7), section 405 (qualifying expenditure where buildings or structures cease to be used) applies to the buyer as if the time of the buyer's acquisition of the interest in land were the time of the seller's acquisition of the interest.
- (7) If there is a sequence of acquisitions within subsection (1), section 405 applies as if—
- (a) the time of the acquisition were the time when the interest was acquired by the company which is the seller in the first acquisition in the sequence, but
  - (b) the allowances and balancing charges to be taken into account in calculating (under section 405(3)) the unrelieved value of the buildings or structures included any allowances or charges made to or on any seller in the sequence.

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 412.