

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

# CAPITAL ALLOWANCES ACT 2001

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## EXPLANATORY NOTES

### THE ACT

31. The Act has 581 sections and four Schedules.
32. The sections are arranged as follows:

*Part 1 (Introduction)* sets out the basic rules on how allowances feed into the calculation of tax, defines some of the key terms used throughout the Act and stops double relief;

*Part 2 (Plant and machinery allowances)* provides allowances for expenditure on plant and machinery. These are relevant to far more taxpayers than any other allowances. They are in aggregate worth far more than other allowances;

*Part 3 (Industrial buildings allowances)* provides allowances for expenditure on buildings and structures which are used in defined ways, such as in manufacturing industry or as a hotel;

*Part 4 (Agricultural buildings allowances)* provides allowances for expenditure on buildings and so on built and first used for farming or other husbandry;

*Part 5 (Mineral extraction allowances)* provides allowances to the mining and oil industries for, mainly, expenditure on mineral exploration and access or on acquiring mineral assets;

*Part 6 (Research and development allowances)* provides allowances to traders for certain expenditure on research and development related to a trade;

*Part 7 (Know-how allowances)* provides allowances to traders for expenditure on certain industrial information or techniques (“know-how”);

*Part 8 (Patent allowances)* provides allowances for expenditure on patent rights;

*Part 9 (Dredging allowances)* provides allowances if there is expenditure on dredging;

*Part 10 (Assured tenancy allowances)* provides allowances for expenditure between 1982 and 1992 on dwelling-houses let on assured tenancies (and similar tenancies) by approved bodies;

*Part 11 (Contributions)* deals with contributions one person makes to another’s expenditure. It denies capital allowances for certain expenditure met by contributions from others. But it also gives allowances for certain contributions; and

*Part 12 (Supplementary provisions)* contains provisions for capital allowances for life assurance businesses; additional VAT; oil licences; partnerships, successions and transfers; and miscellaneous other things. It also defines various terms used in the Act and introduces the Schedules.

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33. The Schedules are:

[Schedule 1](#): Abbreviations and defined expressions;

[Schedule 2](#): Consequential amendments;

[Schedule 3](#): Transitionals and savings; and

[Schedule 4](#): Repeals.