



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### [<sup>F1</sup>PART 3

#### INDUSTRIAL BUILDINGS ALLOWANCES

### [<sup>F1</sup>CHAPTER 10

#### ADDITIONAL VAT LIABILITIES AND REBATES

##### Textual Amendments

- F1** Pt. 3 omitted (with effect in relation to chargeable periods beginning on or after 1.4.2011 for corporation tax purposes and 6.4.2011 for income tax purposes in accordance with ss. 84(1)(3)(4), 85, 86 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 84\(2\)](#) (with [Sch. 27](#))

#### *Introduction*

### 345 Introduction

For the purposes of this Chapter—

- (a) “additional VAT liability” and “additional VAT rebate” have the meaning given by section 547,
- (b) the time when—
  - (i) a person incurs an additional VAT liability, or
  - (ii) an additional VAT rebate is made to a person,is given by section 548, and
- (c) the chargeable period in which, and the time when, an additional VAT liability or an additional VAT rebate accrues are given by section 549.

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*Status: Point in time view as at 19/07/2011.*

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 10. (See end of Document for details)*

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### *Additional VAT liabilities*

#### **346 Additional VAT liabilities and initial allowances**

- (1) This section applies if—
  - (a) a person was entitled to an initial allowance in respect of qualifying enterprise zone expenditure,
  - (b) the person entitled to the relevant interest in relation to that expenditure incurs an additional VAT liability in respect of that expenditure,
  - (c) the additional VAT liability is incurred at a time when the building is, or is to be, an industrial building—
    - (i) occupied by the person entitled to the relevant interest or a qualifying lessee, or
    - (ii) used by a qualifying licensee, and
  - (d) the additional VAT liability is incurred not more than 10 years after the site of the building was first included in the enterprise zone.
- (2) If this section applies, the person entitled to the relevant interest is entitled to an initial allowance on the amount of the additional VAT liability.
- (3) The amount of the initial allowance is 100% of the amount of the additional VAT liability.
- (4) A person claiming an initial allowance under this section may require the allowance to be reduced to a specified amount.
- (5) The allowance is made for the chargeable period in which the additional VAT liability accrues.
- (6) The persons mentioned in subsection (1)(a) and (b) need not be the same.

#### **347 Additional VAT liabilities and writing-down allowances**

- (1) This section applies if the person entitled to the relevant interest in relation to qualifying expenditure incurs an additional VAT liability in respect of that expenditure.
- (2) If this section applies—
  - (a) the additional VAT liability is treated as qualifying expenditure, and
  - (b) the amount of the residue of qualifying expenditure is accordingly increased at the time when the liability accrues by the amount of the liability.
- (3) The incurring of the additional VAT liability is a relevant event for the purposes of section 311 (calculation of writing-down allowances) that is to be treated as occurring at the time when the liability accrues.

#### **348 Additional VAT liabilities and writing off initial allowances**

If an initial allowance is made in respect of an additional VAT liability incurred after the building is first used, the amount of the allowance is written off at the time when the liability accrues.

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*Status: Point in time view as at 19/07/2011.*

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 10. (See end of Document for details)*

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### *Additional VAT rebates*

#### **349 Additional VAT rebates and writing-down allowances**

- (1) This section applies if—
  - (a) an additional VAT rebate is made in respect of qualifying expenditure to the person entitled to the relevant interest in relation to that qualifying expenditure, and
  - (b) immediately before the rebate accrues, the residue of that qualifying expenditure is equal to, or greater than, the amount of the rebate.
- (2) The making of the additional VAT rebate is a relevant event for the purposes of section 311 (calculation of writing-down allowances) that is to be treated as occurring at the time when the rebate accrues.

#### **350 Additional VAT rebates and balancing adjustments**

- (1) If an additional VAT rebate is made in respect of qualifying expenditure to the person entitled to the relevant interest in relation to that qualifying expenditure—
  - (a) the making of the rebate is a balancing event for the purposes of this Part, but
  - (b) the making of balancing adjustments as a result of the event is subject to subsections (2) and (3).
- (2) No balancing allowance is to be made as a result of the event.
- (3) A balancing charge is not to be made as a result of the event unless—
  - (a) the amount of the additional VAT rebate is more than the amount of the residue of qualifying expenditure immediately before the time when the rebate accrues, or
  - (b) there is no such residue.
- (4) The amount of the balancing charge is—
  - (a) the amount of the difference, or
  - (b) the amount of the rebate (if there is no residue).
- (5) If a balancing charge is made under this section, the starting expenditure is reduced by the amount of that charge in a case where section 322(2) applies (person subject to balancing adjustment is the person who incurred the qualifying expenditure).

#### **351 Additional VAT rebates and writing off qualifying expenditure**

If an additional VAT rebate is made in respect of qualifying expenditure, an amount equal to the rebate is written off at the time when the rebate accrues.]

**Status:**

Point in time view as at 19/07/2011.

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 10.