



Capital Allowances Act 2001

2001 CHAPTER 2

PART 5

MINERAL EXTRACTION ALLOWANCES

CHAPTER 1

INTRODUCTION

394 Mineral extraction allowances

- (1) Allowances are available under this Part if a person carries on a mineral extraction trade and incurs qualifying expenditure.
- (2) In this Part “mineral extraction trade” means a trade which consists of, or includes, the working of a source of mineral deposits.
- (3) In this Part “mineral deposits” includes any natural deposits capable of being lifted or extracted from the earth, and for this purpose geothermal energy is to be treated as a natural deposit.
- (4) Any reference in this Part to mineral deposits is to mineral deposits of a wasting nature.
- (5) In this Part “source of mineral deposits” includes a mine, an oil well and a source of geothermal energy.

395 Qualifying expenditure

- (1) In this Part “qualifying expenditure” means—
 - (a) expenditure on mineral exploration and access which is qualifying expenditure under Chapter 2,
 - (b) expenditure on acquiring a mineral asset which is qualifying expenditure under Chapter 3,

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- (c) expenditure which is treated as qualifying expenditure on mineral exploration and access under section 407(5) or 408(2), and
- (d) expenditure which is qualifying expenditure under Chapter 5 (expenditure on works likely to become valueless and post-trading restoration expenditure).

But this is subject to subsections (2) and (3).

- (2) Expenditure is not qualifying expenditure if it is excluded from being qualifying expenditure by section 399.
- (3) Chapter 4 contains provisions limiting in certain cases the amount of expenditure which is qualifying expenditure.

396 Meaning of “mineral exploration and access”

- (1) In this Part “mineral exploration and access” means—
 - (a) searching for or discovering and testing the mineral deposits of a source, or
 - (b) winning access to such deposits.
- (2) Expenditure on seeking planning permission necessary to enable—
 - (a) mineral exploration and access to be undertaken at any place, or
 - (b) any mineral deposits to be worked,
 is treated as expenditure on mineral exploration and access if planning permission is not granted.
- (3) “Seeking planning permission” includes pursuing an appeal against a refusal to grant planning permission.

397 Meaning of “mineral asset”

In this Part “mineral asset” means—

- (a) any mineral deposits or land comprising mineral deposits, or
- (b) any interest in or right over such deposits or land.

398 Relationship between main types of qualifying expenditure

Subject to Chapter 4, expenditure on—

- (a) the acquisition of, or of rights over, the site of a source of mineral deposits, or
- (b) the acquisition of, or of rights over, mineral deposits,

is to be treated as expenditure on acquiring a mineral asset and not as expenditure on mineral exploration and access.

399 Expenditure excluded from being qualifying expenditure

- (1) Expenditure on the provision of plant or machinery is not qualifying expenditure except as provided by section 402 (pre-trading expenditure on plant or machinery).
- (2) Expenditure on works constructed wholly or mainly for subjecting the raw product of a source to any process is not qualifying expenditure, unless the process is designed for preparing the raw product for use as such.

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- (3) Expenditure on buildings or structures provided for occupation by, or for the welfare of, workers is not qualifying expenditure except as provided by section 415.
- (4) Expenditure on a building is not qualifying expenditure if the whole of the building was constructed for use as an office.
- (5) Subsection (6) applies if part of a building or structure has been constructed for use as an office.
- (6) The expenditure on the office part is not qualifying expenditure if it was more than 10% of the capital expenditure incurred on the construction of the whole.

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