



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 5

#### MINERAL EXTRACTION ALLOWANCES

### CHAPTER 6

#### ALLOWANCES AND CHARGES

##### *Cases in which a person is entitled to a balancing allowance*

#### **426 Pre-trading expenditure**

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the expenditure is qualifying expenditure under—
  - (i) section 401(4) (pre-trading exploration expenditure where exploration etc. has ceased before first day of trading), or
  - (ii) section 402 (pre-trading expenditure on plant or machinery), and
- (b) the first day of trading occurs in that chargeable period.

#### **427 Giving up exploration, search or inquiry**

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the qualifying expenditure is expenditure on mineral exploration and access,
- (b) he gives up the exploration, search or inquiry to which the expenditure related in that chargeable period, and
- (c) he does not then or later carry on a mineral extraction trade which consists of or includes the working of mineral deposits to which the expenditure related.

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*Status: This is the original version (as it was originally enacted).*

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#### **428 Ceasing to work mineral deposits**

- (1) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—
- (a) in that chargeable period he permanently ceases to work particular mineral deposits, and
  - (b) the qualifying expenditure is expenditure incurred—
    - (i) on mineral exploration and access relating solely to those deposits, or
    - (ii) on acquiring a mineral asset consisting of those deposits or part of them.
- (2) If the person carrying on the mineral extraction trade is entitled to two or more mineral assets which at any time were—
- (a) comprised in a single mineral asset, or
  - (b) otherwise derived from a single mineral asset,
- subsection (1) does not apply until such time as the person permanently ceases to work the deposits comprised in all the mineral assets concerned taken together.
- (3) For the purposes of subsection (2), if a mineral asset relates to, but does not actually consist of, mineral deposits, the deposits to which the asset relates are to be treated as comprised in the asset.

#### **429 Buildings etc. for benefit of employees abroad ceasing to be used**

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the expenditure is qualifying expenditure under section 415 (contributions to buildings or works for benefit of employees abroad), and
- (b) in that chargeable period the buildings or works permanently cease to be used for the purposes of or in connection with the mineral extraction trade.

#### **430 Disposal of asset, etc.**

- (1) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—
- (a) the qualifying expenditure was incurred on the provision of any assets, and
  - (b) in that chargeable period any of those assets—
    - (i) is disposed of, or
    - (ii) otherwise permanently ceases to be used by him for the purposes of the mineral extraction trade.
- (2) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if any of the following events occurs in that chargeable period in relation to assets representing the qualifying expenditure—
- (a) the person loses possession of the assets in circumstances where it is reasonable to assume that the loss is permanent;
  - (b) the assets cease to exist as such (as a result of destruction, dismantling or otherwise);
  - (c) the assets begin to be used wholly or partly for purposes other than those of the mineral extraction trade carried on by the person.

#### **431 Discontinuance of trade**

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if in that chargeable period the mineral extraction trade is permanently discontinued.