



Capital Allowances Act 2001

2001 CHAPTER 2

PART 7

KNOW-HOW ALLOWANCES

CHAPTER 3

ALLOWANCES AND CHARGES

456 Pooling of expenditure

- (1) Qualifying expenditure has to be pooled for the purpose of determining a person's entitlement to writing-down allowances and balancing allowances and liability to balancing charges.
- (2) There is a separate pool for each trade in respect of which the person has qualifying expenditure.

457 Determination of entitlement or liability

- (1) Whether a person is entitled to a writing-down allowance or a balancing allowance, or liable to a balancing charge, for a chargeable period is determined separately for each pool of qualifying expenditure and depends on—
 - (a) the available qualifying expenditure in that pool for that period (“AQE”), and
 - (b) the total of any disposal values to be brought into account in that pool for that period (“TDV”).
- (2) If AQE exceeds TDV, the person is entitled to a writing-down allowance or a balancing allowance for the period.
- (3) If TDV exceeds AQE, the person is liable to a balancing charge for the period.
- (4) The entitlement under subsection (2) is to a writing-down allowance except for the final chargeable period when it is to a balancing allowance.

Status: Point in time view as at 22/03/2001.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 3. (See end of Document for details)

- (5) The final chargeable period is the chargeable period in which the trade is permanently discontinued.

458 Amount of allowances and charges

- (1) The amount of the writing-down allowance to which a person is entitled for a chargeable period is 25% of the amount by which AQE exceeds TDV.
- (2) If the chargeable period is more or less than a year, the amount is proportionately increased or reduced.
- (3) If the trade has been carried on for part only of the chargeable period, the amount is proportionately reduced.
- (4) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.
- (5) The amount of the balancing charge to which a person is liable for a chargeable period is the amount by which TDV exceeds AQE.
- (6) The amount of the balancing allowance to which a person is entitled for the final chargeable period is the amount by which AQE exceeds TDV.

459 Available qualifying expenditure

A person's available qualifying expenditure in a pool for a chargeable period consists of—

- (a) any qualifying expenditure allocated to the pool for that period in accordance with section 460, and
- (b) any unrelieved qualifying expenditure carried forward in the pool from the previous chargeable period under section 461.

460 Allocation of qualifying expenditure to pools

- (1) The following rules apply to the allocation of a person's qualifying expenditure to a pool.
- (2) An amount of qualifying expenditure is not to be allocated to the pool for a chargeable period if that amount has been taken into account in determining the person's available qualifying expenditure for an earlier chargeable period.
- (3) Qualifying expenditure is not to be allocated to the pool for a chargeable period before that in which the expenditure is incurred.

461 Unrelieved qualifying expenditure

- (1) A person has unrelieved qualifying expenditure to carry forward from a chargeable period if for that period AQE exceeds TDV.
- (2) The amount of the unrelieved qualifying expenditure is—
- (a) the excess less the writing-down allowance made for the period, or
 - (b) if no writing-down allowance is claimed for the period, the excess.

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- (3) No amount may be carried forward as unrelieved qualifying expenditure from the final chargeable period.

462 Disposal values

- (1) A person is required to bring a disposal value into account for the chargeable period in which he sells know-how on which he has incurred qualifying expenditure.
- (2) The disposal value to be brought into account is the net proceeds of the sale, so far as they consist of capital sums.
- (3) But no disposal value need be brought into account if the consideration received for the sale is treated as a payment for goodwill under section 531(2) of ICTA (consideration for know-how on disposal of trade to be treated as payment for goodwill, unless parties otherwise elect).

463 Giving effect to allowances and charges

An allowance or charge to which a person is entitled or liable under this Part for a chargeable period is to be given effect in calculating the profits of the trade, by treating—

- (a) the allowance as an expense of the trade, and
(b) the charge as a receipt of the trade.

Status:

Point in time view as at 22/03/2001.

Changes to legislation:

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