



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 8 U.K.

#### PATENT ALLOWANCES

### CHAPTER 4 U.K.

#### GIVING EFFECT TO ALLOWANCES AND CHARGES

#### 478 Persons having qualifying trade expenditure U.K.

An allowance or charge to which a person is entitled or liable under this Part for a chargeable period in respect of qualifying trade expenditure 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.

#### 479 Persons having qualifying non-trade expenditure: income tax U.K.

- (1) This section applies for income tax purposes if a person is entitled or liable under this Part to an allowance or charge for a chargeable period (“the current tax year”) in respect of qualifying non-trade expenditure.
- (2) An allowance is to be given effect by deducting it from or setting it off against the person’s income from patents for the current tax year.

[<sup>F1</sup>(2A) The allowance is given effect at Step 2 of the calculation in section 23 of ITA 2007.]

- (3) If the amount to be deducted from or set off against the person’s income from patents for that tax year exceeds the amount of that income, the excess must be deducted from or set off against the person’s income from patents for the next tax year, and so on for subsequent tax years.

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*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 4. (See end of Document for details)*

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- (4) A charge is to be given effect by treating the charge as income to be [<sup>F2</sup>assessed to income tax].

**Textual Amendments**

- F1** S. 479(2A) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 408](#) (with [Sch. 2](#))
- F2** Words in s. 479(4) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 565](#) (with [Sch. 2](#))

**480 Persons having qualifying non-trade expenditure: corporation tax** **U.K.**

- (1) This section applies for corporation tax purposes if a company is entitled or liable under this Part to an allowance or charge for a chargeable period (“the current accounting period”) in respect of qualifying non-trade expenditure.
- (2) An allowance is to be given effect by deducting it from the company’s income from patents for the current accounting period.
- (3) If the amount to be deducted from the company’s income from patents for that period exceeds the amount of that income, the excess must (if the company remains within the charge to tax) be deducted from its income from patents for the next accounting period, and so on for subsequent accounting periods.
- (4) A charge is to be given effect by treating the charge as income of the company from patents.

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 4.