



Capital Allowances Act 2001

2001 CHAPTER 2

PART 1

INTRODUCTION

CHAPTER 1

CAPITAL ALLOWANCES: GENERAL

[^{F1}1A Capital allowances and charges: cash basis

- (1) This section applies in relation to a chargeable period for which the profits of a trade, profession, vocation or property business (“the relevant activity”) carried on by a person are calculated on the cash basis.
- (2) The person is not entitled to any allowance or liable to any charge under this Act except as provided by subsections (4) and (7).
- (3) No disposal value is to be brought into account except as provided by subsections (5) and (8).
- (4) If, apart from subsection (2), the person would be entitled to an allowance in respect of expenditure incurred on the provision of a car or liable to a charge in connection with such an allowance, the person is so entitled or (as the case may be) so liable.
- (5) If, apart from subsection (3), a disposal value would be brought into account in respect of a car, the disposal value is brought into account in respect of the car.
- (6) Subsections (7) and (8) apply if—
 - (a) a person carrying on a relevant activity incurs qualifying expenditure relating to an asset at a time when the profits of that activity are not calculated on the cash basis,
 - (b) after incurring the expenditure, the person enters the cash basis for a tax year, and

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 1A. (See end of Document for details)

- (c) no deduction would be allowed in respect of the expenditure in calculating the profits of the relevant activity on the cash basis for that tax year, on the assumption that the expenditure was paid in that tax year.
- (7) If, apart from subsection (2), the person would be liable to a charge in connection with allowances in respect of the qualifying expenditure mentioned in subsection (6), the person is so liable.
- (8) If, apart from subsection (3), a disposal value would be brought into account in respect of the asset mentioned in subsection (6), the disposal value is brought into account in respect of the asset.
- (9) For the purposes of this section a person carrying on a trade, profession or vocation “enters the cash basis” for a tax year if—
- (a) [^{F2}the cash basis applies] in relation to the trade, profession or vocation for the tax year, and
 - (b) [^{F3}the cash basis did not apply] in relation to the trade, profession or vocation for the previous tax year.
- (10) For the purposes of this section a person carrying on a property business “enters the cash basis” for a tax year if the profits of the business are calculated—
- (a) on the cash basis for the tax year (see section 271D of ITTOIA 2005), and
 - (b) in accordance with GAAP (see section 271B of that Act) for the previous tax year.
- (11) In this section—
- [^{F4}(za) references to a trade, profession or vocation in relation to which the cash basis applies are to a trade, profession or vocation the profits of which are required by virtue of [section 24A\(1\)](#) of ITTOIA 2005 to be calculated on the cash basis,]
- (a) references to calculating the profits of a trade, profession or vocation on the cash basis are to [^{F5}doing so in accordance with [section 24A](#) of ITTOIA 2005], and
 - (b) references to calculating the profits of a property business on the cash basis are to be construed in accordance with section 271D of that Act (calculation of profits of property businesses on the cash basis).
- (12) In this section—
- “car” has the same meaning as in Part 2 (see section 268A);
- “disposal value” means—
- (a) a disposal value for the purposes of Part 2, 4A, 5, 6, 7, 8 or 10, or
 - (b) proceeds from a balancing event for the purposes of Part 3 or 3A;
- “qualifying expenditure” means qualifying expenditure within the meaning of any Part of this Act.]

Textual Amendments

- F1** S. 1A inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 50](#)
- F2** Words in s. 1A(9)(a) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 39\(2\)\(a\)](#), 47 (with [Sch. 10 paras. 48-50](#))

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- F3** Words in s. 1A(9)(b) substituted (for the tax year 2024-25 and subsequent tax years) by Finance Act 2024 (c. 3), **Sch. 10 paras. 39(2)(b)**, 47 (with Sch. 10 paras. 48-50)
- F4** S. 1A(11)(za) inserted (for the tax year 2024-25 and subsequent tax years) by Finance Act 2024 (c. 3), **Sch. 10 paras. 39(3)(a)**, 47 (with Sch. 10 paras. 48-50)
- F5** Words in s. 1A(11)(a) substituted (for the tax year 2024-25 and subsequent tax years) by Finance Act 2024 (c. 3), **Sch. 10 paras. 39(3)(b)**, 47 (with Sch. 10 paras. 48-50)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 1A.