



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 8

#### PATENT ALLOWANCES

### CHAPTER 3

#### ALLOWANCES AND CHARGES

#### **[<sup>F1</sup>477A Persons leaving cash basis**

- (1) This section applies if—
  - (a) a person carrying on a trade leaves the cash basis in a chargeable period,
  - (b) the person has incurred expenditure at a time when [<sup>F2</sup>the cash basis applies] in relation to the trade,
  - (c) some or all of the expenditure was brought into account in calculating the profits of the trade on the cash basis, and
  - (d) the expenditure would have been qualifying trade expenditure if [<sup>F3</sup>the cash basis had not applied] at the time the expenditure was incurred.
- (2) In this section the “relieved portion” of the expenditure is the amount of that expenditure for which a deduction was allowed in calculating the profits of the trade.
- (3) For the purposes of determining the person's available qualifying expenditure in the pool for the trade for the chargeable period (see section 470)—
  - (a) the whole of the expenditure must be allocated to the pool for the trade in that chargeable period, and
  - (b) the available qualifying expenditure in that pool is reduced by the relieved portion of that expenditure.
- (4) For the purposes of determining any disposal receipts (see section 476), the expenditure incurred by the person is to be regarded as qualifying trade expenditure.

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*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 477A. (See end of Document for details)

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- (5) For the purposes of this section a person carrying on a trade leaves the cash basis in a chargeable period if—
- (a) immediately before the beginning of the chargeable period [<sup>F4</sup>the cash basis applied] in relation to the trade, and
  - (b) [<sup>F5</sup>the cash basis does not apply] in relation to the trade for the chargeable period.

[ Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies <sup>F6</sup>(5A) for the purposes of this section as it applies for the purposes of that section.]]

#### Textual Amendments

- F1** S. 477A 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. 59](#)
- F2** Words in s. 477A(1)(b) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 44\(2\)\(a\)](#), 47 (with [Sch. 10 paras. 48-50](#))
- F3** Words in s. 477A(1)(d) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 44\(2\)\(b\)](#), 47 (with [Sch. 10 paras. 48-50](#))
- F4** Words in s. 477A(5)(a) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 44\(3\)\(a\)](#), 47 (with [Sch. 10 paras. 48-50](#))
- F5** Words in s. 477A(5)(b) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 44\(3\)\(b\)](#), 47 (with [Sch. 10 paras. 48-50](#))
- F6** S. 477A(5A) inserted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 10 paras. 44\(4\)](#), 47 (with [Sch. 10 paras. 48-50](#))

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 477A.