



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 4

FIRST-YEAR QUALIFYING EXPENDITURE

Expenditure of small or medium-sized enterprises

48 Expenditure of small or medium-sized enterprises: businesses

- (1) Use this section to decide whether expenditure incurred by a business is, for the purposes of this Chapter, incurred by—
 - (a) a small or medium-sized enterprise, or
 - (b) a small enterprise.
- (2) In this section “business” means—
 - (a) an individual,
 - (b) a partnership of which all the members are individuals,
 - (c) a registered friendly society within the meaning of Chapter II of Part XII of ICTA, or
 - (d) a body corporate which is not a company but is within the charge to corporation tax.
- (3) The expenditure is incurred by a small or medium-sized enterprise if—
 - (a) the expenditure is incurred for the purposes of a qualifying activity carried on by the business, and
 - (b) the business passes the hypothetical company test, in relation to that expenditure, as a small or medium-sized company.

Status: This is the original version (as it was originally enacted).

- (4) The expenditure is incurred by a small enterprise if—
- (a) the expenditure is incurred for the purposes of a qualifying activity carried on by the business, and
 - (b) the business passes the hypothetical company test, in relation to that expenditure, as a small company.
- (5) To apply the hypothetical company test, assume that—
- (a) the qualifying activity is carried on by a company (“the hypothetical company”),
 - (b) every trade, business, profession or vocation carried on by the business is carried on by the business as part of that activity,
 - (c) the financial years of the hypothetical company coincide with the chargeable periods of the business, and
 - (d) accounts of the hypothetical company for any relevant chargeable period have been duly drawn up as if that period were a financial year of the company.
- (6) The business passes the hypothetical company test as a small or medium-sized company in relation to the expenditure in question if, on the assumptions in subsection (5), the company would qualify (or be treated as qualifying) as small or medium-sized under the relevant companies legislation in relation to the financial year in which the expenditure is assumed to be incurred.
- (7) The business passes the hypothetical company test as a small company in relation to the expenditure in question if, on the assumptions in subsection (5), the company would qualify (or be treated as qualifying) as small under the relevant companies legislation in relation to the financial year in which the expenditure is assumed to be incurred.
- (8) Except in the case of a business carrying on a qualifying activity wholly or mainly in Northern Ireland—
- (a) “the relevant companies legislation” means section 247 of the Companies Act 1985 (c. 6), and
 - (b) “financial year” has the same meaning as in Part VII of that Act;
- and the reference in subsection (5)(d) to accounts being duly drawn up is to their being drawn up in accordance with that Act.
- (9) In the case of such a business—
- (a) “the relevant companies legislation” means Article 255 of the Companies (Northern Ireland) Order 1986 (S.I.1986/1032 (N.I.6)), and
 - (b) “financial year” has the same meaning as in Part VIII of that Order;
- and the reference in subsection (5)(d) to accounts being duly drawn up is to their being drawn up in accordance with that Order.