



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

### CHAPTER 5

#### ALLOWANCES AND CHARGES

##### *Available qualifying expenditure*

#### **59 Unrelieved qualifying expenditure**

- (1) A person has unrelieved qualifying expenditure to carry forward from a chargeable period if for that period—
  - <sup>F1</sup>(a) AQE exceeds TDR<sup>F2</sup>, and
  - (b) where section 56A(2) applies, the person does not claim a writing-down allowance of the amount by which AQE exceeds TDR.]
- (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.
- (3) No amount may be carried forward as unrelieved qualifying expenditure from the final chargeable period.
- <sup>F3</sup>(4) If a person carrying on a trade, profession or vocation enters the cash basis for a tax year, <sup>F4</sup>any cash basis deductible amount may not be carried forward as unrelieved qualifying expenditure in a pool for the trade, profession or vocation] from the chargeable period ending <sup>F5</sup>in the previous tax year (or, if there is more than one such period, the latest of them)].

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[ If a person carrying on a property business enters the cash basis for a tax year, any <sup>F6</sup>(4A) cash basis deductible amount may not be carried forward as unrelieved qualifying expenditure in a pool for a relevant qualifying activity from the chargeable period which is the previous tax year.]

<sup>F7</sup>(5) .....

[ A “cash basis deductible amount” means any amount of unrelieved qualifying <sup>F8</sup>(5A) expenditure for which a deduction would be allowed in calculating the profits of the trade, profession, vocation or property business (as the case may be) on the cash basis on the assumption that the expenditure was paid in the tax year for which the person enters the cash basis.]

(6) Where a person has unrelieved qualifying expenditure to carry forward from a chargeable period that is not expenditure allocated to a single asset pool, [<sup>F9</sup>any cash basis deductible amount] is to be determined on such basis as is just and reasonable in all the circumstances.

[<sup>F10</sup>(7) Subsections (9), (10) and (11) of section 1A (capital allowances and charges: cash basis) apply for the purposes of this section as they apply for the purposes of that section.]

(7A) In subsection (4A) “relevant qualifying activity” means—

- (a) in relation to a UK property business, an ordinary UK property business and a UK furnished holiday lettings business, and
- (b) in relation to an overseas property business, an ordinary overseas property business and an EEA furnished holiday lettings business.]

[<sup>F11</sup>(8) Subsection (9) applies if—

- (a) a person carrying on a trade, profession or vocation incurs expenditure in relation to a vehicle,
- (b) at the end of <sup>F12</sup>... a tax year, the person has unrelieved qualifying expenditure incurred in relation to the vehicle to carry forward from the chargeable period ending [<sup>F13</sup>in that tax year (or, if there is more than one such period, the latest of them)] (“the relevant chargeable period”), [<sup>F14</sup>and]
- (c) in calculating the profits of a trade, profession or vocation of a person for the following tax year, a deduction is made under section 94D of ITTOIA 2005 in respect of expenditure incurred in relation to the vehicle, <sup>F15</sup>...

<sup>F15</sup>(d) .....

(9) None of the unrelieved qualifying expenditure incurred in relation to the vehicle may be carried forward as unrelieved qualifying expenditure from the relevant chargeable period.

[ Subsection (9B) applies if—

- <sup>F16</sup>(9A) (a) a person carrying on a property business incurs expenditure in relation to a vehicle,
- (b) at the end of a tax year, the person has unrelieved qualifying expenditure incurred in relation to the vehicle to carry forward from the chargeable period ending with that tax year (“the relevant chargeable period”), and
- (c) in calculating the profits of a property business of a person for the following tax year, a deduction is made under section 94D of ITTOIA 2005 (as applied

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by section 271E of that Act) in respect of expenditure incurred in relation to the vehicle.

(9B) None of the unrelieved qualifying expenditure incurred in relation to the vehicle may be carried forward as unrelieved qualifying expenditure from the relevant chargeable period.]

(10) Where a person has unrelieved qualifying expenditure to carry forward from a chargeable period that is not expenditure allocated to a single asset pool, the amount of the unrelieved qualifying expenditure incurred in relation to the vehicle is to be determined on such basis as is just and reasonable in all the circumstances.]

#### Textual Amendments

- F1** Word in s. 59(1) inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 81\(4\)\(a\)](#)
- F2** Words in s. 59(1) inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 81\(4\)\(b\)](#)
- F3** S. 59(4)-(7) inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 4 para. 47](#)
- F4** Words in s. 59(4) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(2\)](#)
- F5** Words in s. 59(4) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2022 \(c. 3\), Sch. 1 paras. 34\(2\), 61\(1\)](#)
- F6** S. 59(4A) 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. 52\(3\)](#)
- F7** S. 59(5) omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(4\)](#)
- F8** S. 59(5A) 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. 52\(5\)](#)
- F9** Words in s. 59(6) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(6\)](#)
- F10** S. 59(7)(7A) substituted for s. 59(7) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(7\)](#)
- F11** S. 59(8)-(10) inserted (with effect in accordance with Sch. 5 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 5 para. 5\(3\)](#)
- F12** Words in s. 59(8)(b) omitted (for the tax year 2024-25 and subsequent tax years) by virtue of [Finance Act 2022 \(c. 3\), Sch. 1 paras. 34\(3\)\(a\), 61\(1\)](#)
- F13** Words in s. 59(8)(b) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2022 \(c. 3\), Sch. 1 paras. 34\(3\)\(b\), 61\(1\)](#)
- F14** Word in s. 59(8)(b) inserted (with effect in accordance with s. 36(7) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(6\)\(a\)\(i\)](#)
- F15** S. 59(8)(d) and preceding word omitted (with effect in accordance with s. 36(7) of the amending Act) by virtue of [Finance Act 2018 \(c. 3\), s. 36\(6\)\(a\)\(ii\)](#)
- F16** S. 59(9A)(9B) inserted (with effect in accordance with s. 36(8) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(6\)\(b\)](#)

#### Modifications etc. (not altering text)

- C1** S. 59(1)(2) applied by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 240C\(6\)](#) (as inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 4 para. 38](#))

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**Changes to legislation:** *There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 59. (See end of Document for details)*

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- C2** S. 59(4) excluded by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 240C\(5A\)](#) (as 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. 7\(7\)](#))

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 59.