



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 5

ALLOWANCES AND CHARGES

Disposal events and disposal values: general

61 Disposal events and disposal values

- (1) A person who has incurred qualifying expenditure is required to bring the disposal value of the plant or machinery into account for the chargeable period in which—
- (a) the person ceases to own the plant or machinery;
 - (b) the person loses possession of the plant or machinery in circumstances where it is reasonable to assume that the loss is permanent;
 - (c) the plant or machinery has been in use for mineral exploration and access and the person abandons it at the site where it was in use for that purpose;
 - (d) the plant or machinery ceases to exist as such (as a result of destruction, dismantling or otherwise);
 - (e) the plant or machinery begins to be used wholly or partly for purposes other than those of the qualifying activity;
 - [^{F1}(ee) the plant or machinery begins to be leased under a long funding lease (see Chapter 6A);]
 - (f) the qualifying activity is permanently discontinued.
- (2) The disposal value to be brought into account depends on the disposal event, as shown in the Table—

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 61. (See end of Document for details)

Table

Disposal values: general

1. Disposal event	2. Disposal value
1. Sale of the plant or machinery, except in a case where item 2 [^{F2} or 2A] applies.	The net proceeds of the sale, together with— <ul style="list-style-type: none"> (a) any insurance money received in respect of the plant or machinery as a result of an event affecting the price obtainable on the sale, and (b) any other compensation of any description so received, so far as it consists of capital sums.
2. Sale of the plant or machinery where— <ul style="list-style-type: none"> (a) the sale is at less than market value, (b) there is no charge to tax under [^{F3}ITEPA 2003], and (c) the condition in subsection (4) is met by the buyer. 	The market value of the plant or machinery at the time of the sale.
[^{F4} 2A. Sale of the plant or machinery where— <ul style="list-style-type: none"> (a) the sale is at less than market value, (b) the condition in subsection (4A) is met by the seller, and (c) the condition in subsection (4B) is met by the buyer. 	The market value of the plant or machinery at the time of the sale.]
3. Demolition or destruction of the plant or machinery.	The net amount received for the remains of the plant or machinery, together with— <ul style="list-style-type: none"> (a) any insurance money received in respect of the demolition or destruction, and (b) any other compensation of any description so received, so far as it consists of capital sums.
4. Permanent loss of the plant or machinery otherwise than as a result of its demolition or destruction.	Any insurance money received in respect of the loss and, so far as it consists of capital sums, any other compensation of any description so received.
5. Abandonment of the plant or machinery which has been in use for mineral exploration and access at the site where it was in use for that purpose.	Any insurance money received in respect of the abandonment and, so far as it consists of capital sums, any other compensation of any description so received.

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[^{F5} 5A. Commencement of the term of a long funding finance lease of the plant or machinery.	The greater of— (a) the market value of the plant or machinery at the commencement of the term of the lease, and (b) the qualifying lease payments.]
[^{F6} 5B. Commencement of the term of a long funding operating lease of the plant or machinery.	An amount equal to the market value of the plant or machinery at the commencement of the term of the lease.]
6. Permanent discontinuance of the qualifying activity followed by the occurrence of an event within any of items 1 to [^{F7} 5B].	The disposal value for the item in question.
[^{F8} 6A. Disposal event to which section 62A applies.	The relevant transition value (see section 62A).]
7. Any event not falling within any of items 1 to [^{F9} 6A].	The market value of the plant or machinery at the time of the event.

(3) The amounts referred to in column 2 of the Table are those received by the person required to bring the disposal value into account.

(4) The condition referred to in item 2 of the Table is met by the buyer if—
(a) the buyer’s expenditure on the acquisition of the plant or machinery cannot be qualifying expenditure under this Part or Part 6 (research and development allowances), or
(b) the buyer is a dual resident investing company which is connected with the seller.

[^{F10}(4A) The condition referred to in paragraph (b) of item 2A in the Table is met by the seller if—

- (a) the seller is—
 - (i) a company, or
 - (ii) a partnership whose partners include one or more companies, and
- (b) before the sale the plant or machinery is used wholly or partly for the purposes of a qualifying activity that is not an NI rate activity.

(4B) The condition referred to in paragraph (c) of item 2A in the Table is met by the buyer if—

- (a) the buyer is [^{F11}an SME (Northern Ireland employer) company], a NIRE company or a Northern Ireland firm in the chargeable period of the buyer in which the plant or machinery is bought,
- (b) the buyer's expenditure on the acquisition of the plant or machinery is qualifying expenditure under this Part or Part 6 (research and development allowances), and
- (c) the plant or machinery is used by the buyer wholly or partly for the purposes of an NI rate activity.]

(5) In this section “mineral exploration and access” has the same meaning as in Chapter 13 (provisions affecting the mining and oil industries) and Part 5 (mineral extraction allowances).

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- [^{F12}(5A) In item 5A of the Table “qualifying lease payments” means the minimum payments under the lease (including any initial payment), excluding the following—
- (a) so much of any payment as, under generally accepted accounting practice, falls (or would fall) to be treated as the gross return on investment in respect of the lease,
 - (b) so much of any payment as represents charges for services, and
 - (c) so much of any payment as represents qualifying UK or foreign tax (within the meaning of section 70YE) to be paid by the lessor.]

^{F13}(6)

^{F13}(7)

^{F13}(8)

^{F13}(9)

Textual Amendments

- F1** S. 61(1)(ee) inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 5(2)**
- F2** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), **Sch. 1 para. 6(2)(a)**
- F3** Words in s. 61(2) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, **Sch. 6 para. 249** (with Sch. 7)
- F4** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), **Sch. 1 para. 6(2)(b)**
- F5** Words in s. 61(2) substituted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 1(2)**
- F6** Words in s. 61(2) Table inserted (with effect in accordance with Sch. 8 para. 15 to the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 5(3)**
- F7** Word in s. 61(2) substituted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 5(4)**
- F8** S. 61 Table Item 6A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 13 paras. 16, 31**
- F9** Word in s. 61 Table Item 7 substituted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 13 paras. 16, 31**
- F10** S. 61(4A)(4B) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), **Sch. 1 para. 6(3)**
- F11** Words in s. 61(4B)(a) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 7 para. 24(d)**
- F12** S. 61(5A) inserted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 1(3)**
- F13** S. 61(6)-(9) omitted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 1(4)**

Modifications etc. (not altering text)

- C1** S. 61 modified (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), **Sch. 9 para. 9(4)** (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), Sch. 1
- C2** S. 61 modified (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 2**; [S.I. 2005/1444](#), art. 2(1), Sch. 1
- C3** S. 61 modified (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 22**; [S.I. 2005/1909](#), art. 2, Sch.
- C4** S. 61(2)-(4) excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), **Sch. 10 para. 14(2)(a)**; [S.I. 2005/1444](#), art. 2(1), Sch. 1

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 61.