



Capital Allowances Act 1990

1990 CHAPTER 1

PART IV

MINERAL EXTRACTION

CHAPTER I

ALLOWANCES AND CHARGES

98 Writing-down and balancing allowances

- (1) Allowances shall be made in accordance with this section to a person who carries on a trade of mineral extraction in respect of qualifying expenditure incurred by him for the purposes of that trade.
- (2) Subject to subsection (4) below, for the chargeable period related to the incurring of the expenditure, there shall be made to the person incurring it an allowance equal to the appropriate percentage of the excess (if any) of that expenditure over any disposal receipts which he is required to bring into account by reference to that expenditure for that chargeable period.
- (3) Subject to subsection (4) below, for each of the chargeable periods following that related to the incurring of the expenditure, there shall be made to the person incurring it an allowance equal to the appropriate percentage of the excess (if any) of that expenditure over the aggregate of—
 - (a) the allowances made in respect of the expenditure for earlier chargeable periods by virtue of subsection (2) above and this subsection; and
 - (b) any disposal receipts which he is or was required to bring into account by reference to that expenditure for the chargeable period in question and any earlier chargeable periods.
- (4) For a chargeable period for which, in accordance with section 101, a balancing allowance falls to be made to any person in respect of any expenditure, subsection (2)

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or, as the case may be, subsection (3) above shall have effect with the omission of the words “the appropriate percentage of”.

- (5) Subject to subsection (6) below, in relation to expenditure which is qualifying expenditure falling within section 105, 108 or 109, other than expenditure falling within section 105(1)(b), the appropriate percentage is 25 and, in relation to all other qualifying expenditure, the appropriate percentage is 10.
- (6) If a chargeable period or its basis period is part only of a year or if the period is a year of assessment but the trade has been carried on for part only of it, the percentage appropriate under subsection (5) above shall be correspondingly reduced.

99 Disposal receipts

- (1) In any case where—
 - (a) qualifying expenditure has been incurred by any person on the provision of any assets (including the construction of any works), and
 - (b) in any chargeable period or its basis period any of those assets is disposed of or otherwise permanently ceases (whether because of the discontinuance of the trade or for any other reason) to be used by him for the purposes of a trade of mineral extraction,

he shall bring into account as a disposal receipt in respect of that expenditure for the chargeable period related to the disposal or, as the case may be, cessation the disposal value of any asset falling within paragraph (b) above.

- (2) If, at any time after a mineral asset has been acquired by any person, it begins to be used (by him or by any other person) in a way which constitutes development but is neither existing permitted development nor development for the purposes of a trade of mineral extraction carried on by him, the asset shall be treated as having permanently ceased, immediately before that time, to be used by him for the purposes of that trade; and for the purposes of this subsection “existing permitted development” means—
 - (a) development which, prior to the acquisition, had been or had begun to be lawfully carried out; and
 - (b) any other development for which planning permission is granted by a development order made as a general order and in force at the time of the acquisition;

and section 110(3) applies for the purposes of this subsection as it applies for the purposes of section 110(2).

- (3) Subject to section 112, section 26 shall apply to determine the disposal value of any asset falling within subsection (1) above, substituting a reference to that asset for any reference in those subsections to machinery or plant.
- (4) In any case where—
 - (a) qualifying expenditure has been incurred by any person, and
 - (b) in any chargeable period or its basis period he receives any capital sum which, in whole or in part, it is reasonable to attribute to that expenditure, and
 - (c) that capital sum does not fall to be brought into account as a disposal receipt by virtue of subsection (1) above,

he shall bring into account as a disposal receipt in respect of that expenditure for the chargeable period related to the receipt of that capital sum so much of it as is reasonably attributable to the expenditure.

100 Balancing charges: excess of allowances etc. over expenditure

- (1) If, for any chargeable period for which a person is required to bring into account a disposal receipt in respect of qualifying expenditure incurred by him, the aggregate of—
 - (a) the disposal receipts in respect of that expenditure which he is required to bring into account for that period, and
 - (b) any disposal receipts in respect of that expenditure which he was required to bring into account for earlier chargeable periods, and
 - (c) the net amount of the allowances made to him for earlier chargeable periods under section 98 in respect of that expenditure,exceeds the expenditure concerned, there shall be made on him a charge (“a balancing charge”).
- (2) In relation to any qualifying expenditure, the amount on which a balancing charge is made for a chargeable period shall be whichever is the less of—
 - (a) the amount by which the aggregate referred to in subsection (1) above exceeds the expenditure; and
 - (b) the net amount of the allowances made as mentioned in subsection (1)(c) above.
- (3) In relation to any chargeable period, the net amount of the allowances made to any person for earlier chargeable periods under section 98 in respect of expenditure incurred by him means the total of those allowances less the total of the amounts on which balancing charges have been made on him for earlier chargeable periods, being charges arising by reason of his bringing into account disposal receipts in respect of that expenditure.

101 Occasions of balancing allowances

- (1) For the chargeable period related to the permanent discontinuance of a trade of mineral extraction, any allowance to which the person carrying on that trade is entitled under section 98 in respect of qualifying expenditure incurred by him for the purposes of that trade shall be a balancing allowance.
- (2) If in any chargeable period or its basis period a person carrying on a trade of mineral extraction permanently ceases to work particular mineral deposits (and subsection (1) above does not apply in respect of that period) any allowance to which he is entitled for that chargeable period under section 98 in respect of—
 - (a) expenditure on mineral exploration and access which relates solely to those deposits, or
 - (b) expenditure on the acquisition of a mineral asset which consists of those deposits or any part of them,shall be a balancing allowance.
- (3) Where a person carrying on a trade of mineral extraction is for the time being entitled to two or more mineral assets which at any time were comprised in a single mineral asset or were otherwise derived from a single mineral asset, subsection (2) above shall not apply until such time as he permanently ceases to work the deposits comprised in all the mineral assets concerned taken together and, for this purpose, where a mineral asset relates to, but does not actually consist of, mineral deposits, the deposits to which the asset relates shall be treated as comprised in the asset.

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- (4) If, in a case where subsection (1) of section 99 applies, neither subsection (1) nor subsection (2) above has effect in relation to the expenditure referred to in subsection (1)(a) of that section, then, for the chargeable period related to the disposal or cessation referred to in subsection (1)(b) of that section, any allowance in respect of that expenditure shall be a balancing allowance.
- (5) In relation to pre-trading expenditure on machinery or plant and pre-trading exploration expenditure falling within section 107(3), any allowance under section 98 shall be a balancing allowance.
- (6) If in any chargeable period or its basis period a person who has incurred qualifying expenditure on mineral exploration and access (including pre-trading exploration expenditure falling within section 107(2)) gives up the search, exploration or inquiry to which the expenditure related and does not carry on then or subsequently a trade of mineral extraction which consists of or includes the working of any mineral deposits to which the mineral exploration and access related, any allowance to which he is entitled for that chargeable period under section 98 in respect of that expenditure shall be a balancing allowance.
- (7) In any case where—
- (a) a person has incurred expenditure consisting of contributions falling within section 108 to the cost of any buildings or works, and
 - (b) in any chargeable period or its basis period the buildings or works permanently cease to be used for the purposes of, or in connection with, a trade of mineral extraction carried on by him,
- then, without prejudice to subsection (1) above, any allowance to which he is entitled for that chargeable period under section 98 in respect of that expenditure shall be a balancing allowance.
- (8) If in any chargeable period or its basis period any of the following events occurs in relation to assets representing any qualifying expenditure, namely—
- (a) the person by whom the expenditure was incurred loses possession of the assets in circumstances where it is reasonable to assume that the loss is permanent,
 - (b) the assets cease to exist as such (as a result of destruction, dismantling or otherwise),
 - (c) the assets begin to be used wholly or partly for purposes other than those of the trade of mineral extraction carried on by that person,
- any allowance to which that person is entitled for that chargeable period under section 98 in respect of that expenditure shall be a balancing allowance.

102 Treatment of qualifying expenditure on mineral exploration and access

For the purposes of this Chapter, where a person is carrying on a trade of mineral extraction, qualifying expenditure incurred by him in connection with that trade (whether before or after the trade begins to be carried on) on mineral exploration and access shall be taken to be incurred for the purposes of the trade.

103 Demolition costs

- (1) The net cost to a person of the demolition of an asset representing qualifying expenditure shall, for the purposes of this Chapter, be added to that qualifying

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expenditure in determining the amount of any balancing allowance or balancing charge for the chargeable period related to the demolition of the asset.

- (2) The cost or net cost to a person of the demolition of any asset shall not, if subsection (1) above applies to it, be treated for the purposes of this Part as expenditure incurred in respect of any other asset by which that asset is replaced.
- (3) Any reference in this section to the net cost of the demolition of any asset is a reference to the excess (if any) of the cost of the demolition over any moneys received for the remains of the asset.

104 Manner of making allowances and charges

All allowances and charges falling to be made under this Chapter to or on any person shall be made to or on him in taxing his trade of mineral extraction.