



Capital Allowances Act 1990

1990 CHAPTER 1

PART II

MACHINERY AND PLANT

CHAPTER III

EXPENSIVE MOTOR CARS

34 Writing-down allowances etc

- (1) The following provisions of this section shall have effect where capital expenditure exceeding £8,000 is incurred, or is treated under subsection (4)(b) below or section 81 as incurred, on the provision of a motor car for the purposes of a trade.
- (2) It shall be assumed for the purposes of sections 24, 25 and 26—
 - (a) that the person carrying on the trade (“the actual trade”) incurred the expenditure on the provision of the motor car wholly and exclusively for the purposes of a trade carried on by him separately from the actual trade and any other trade he may carry on, and
 - (b) that without prejudice to section 24(6)(c)(i) to (iii), the separate trade is permanently discontinued when the motor car begins to be used wholly or partly for purposes other than those of the actual trade;and, subject to subsections (3) to (5) below, the allowance or charge under section 24 which, on these assumptions, would fall to be made for any chargeable period in the case of the separate trade shall be made for that period in the case of the actual trade.
- (3) If, on the assumptions in subsection (2) above, a writing-down allowance would fall to be made for any chargeable period in the case of the separate trade, the amount thereof shall be treated as not exceeding—
 - (a) except in a case falling within paragraph (b) below, £2,000 or, if the period is part only of a year, a proportionate part of £2,000,

Status: This is the original version (as it was originally enacted).

- (b) if, by virtue of section 153, the person carrying on the trade is regarded as having incurred a part only of the expenditure actually incurred on the provision of the motor car, a proportionate part of £2,000 or, if the period is part only of a year, that proportionate part proportionately reduced.
- (4) Where the disposal value of the motor car falls to be taken into account by reason of an event falling within section 24(6)(c)(i) and that event is such a sale or the performance of such a contract as is referred to in section 75—
- (a) the disposal value to be brought into account under sections 24, 25 and 26 in the case of the separate trade shall be an amount equal to the price which the motor car would have fetched on a sale at the same time in the open market or, if less, the capital expenditure incurred, or treated as incurred, on the provision of the motor car by the person disposing of it, and
 - (b) the person acquiring the motor car shall be treated for the purposes of this Part as having incurred on its provision capital expenditure equal to that disposal value.
- (5) If either of the following events occurs in relation to the motor car—
- (a) it is used partly for the purposes of the actual trade and partly for other purposes, or
 - (b) while it is in use for the purposes of the actual trade, there is paid to the person carrying on the trade any sum which is in respect of, or takes account of, part of the wear and tear to it occasioned by that use,

neither section 79 nor section 80 shall apply, but for the chargeable period related to the event and any subsequent period, instead of there being made in the case of the actual trade the allowance or charge which under subsections (1) to (4) above would fall to be made for that period in the case of the separate trade, there shall be made so much of that allowance or charge as, in accordance with section 79 or 80, would be just and reasonable if it were one falling to be made for that period in the case of the notional trade referred to in that section.

35 Contributions to expenditure, and hiring of cars

- (1) Where capital expenditure exceeding £8,000 is incurred on the provision of a motor car and, by virtue of section 154, writing-down allowances may be made to a person as if a contribution made by him to the expenditure had been expenditure on the provision of a motor car for the purposes of a trade, the amount of the allowance to be made for any chargeable period—
- (a) shall be determined as if the contribution had been expenditure on the provision of the motor car for the purposes of a trade carried on by that person separately from any other trade carried on by him, and
 - (b) shall not exceed an amount bearing to £2,000 the same proportion as that borne by the contribution to the capital expenditure actually incurred on the provision of the motor car or, if the chargeable period is part only of a year, that amount proportionately reduced.
- (2) Where, apart from this subsection, the amount of any expenditure on the hiring of a motor car the retail price of which when new exceeds £8,000 would be allowed to be deducted in computing for the purposes of tax the profits or gains of any trade, that amount shall be reduced in the proportion which £8,000, together with one half of the excess, bears to that retail price.

36 Definition of “motor car”, etc

- (1) In this Part “motor car” means any mechanically propelled road vehicle other than—
- (a) a vehicle of a construction primarily suited for the conveyance of goods or burden of any description, or
 - (b) a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used, or
 - (c) subject to subsections (2) and (4) below, a vehicle provided wholly or mainly for hire to, or for the carriage of, members of the public in the ordinary course of a trade.
- (2) Subsection (1)(c) applies to a vehicle only if—
- (a) the following conditions are satisfied—
 - (i) the number of consecutive days for which it is on hire to, or used for the carriage of, the same person will normally be less than 30; and
 - (ii) the total number of days for which it is on hire to, or used for the carriage of, the same person in any period of 12 months will normally be less than 90; or
 - (b) it is provided for hire to a person who will himself use it wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of a trade and in a manner complying with the conditions specified in paragraph (a) above.
- (3) For the purposes of subsection (2) above persons who are connected with each other within the meaning of section 839 of the principal Act shall be treated as the same person.
- (4) Subsection (2) above does not affect vehicles provided wholly or mainly for the use of persons in receipt of—
- (a) a mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975;
 - (b) a mobility supplement under a scheme made under the Personal Injuries (Emergency Provisions) Act 1939;
 - (c) a mobility supplement under an Order in Council made under section 12 of the Social Security (Miscellaneous Provisions) Act 1977; or
 - (d) any payment appearing to the Treasury to be of a similar kind and specified by them by order.
- (5) The Treasury may by order increase or further increase the sums of money specified in sections 34 and 35.