



Capital Allowances Act 1990

1990 CHAPTER 1

PART I

INDUSTRIAL BUILDINGS AND STRUCTURES

CHAPTER II

WRITING-DOWN ALLOWANCES, BALANCING ALLOWANCES AND BALANCING CHARGES

4 Balancing allowances and balancing charges

(1) Subject to section 5, where any capital expenditure has been incurred on the construction of a building or structure, and any of the following events occurs while the building is an industrial building or structure or after it has ceased to be one, that is to say—

- (a) the relevant interest in the building or structure is sold, or
- (b) that interest, being an interest depending on the duration of a foreign concession, comes to an end on the coming to an end of that concession, or
- (c) that interest, being a leasehold interest, comes to an end otherwise than on the person entitled thereto acquiring the interest which is reversionary thereon, or
- (d) the building or structure is demolished or destroyed or, without being demolished or destroyed, ceases altogether to be used,

an allowance or charge (“a balancing allowance” or “a balancing charge”) shall, in the circumstances mentioned in this section and subject to subsection (2) below, be made to, or, as the case may be, on, the person entitled to the relevant interest immediately before that event occurs, for the chargeable period related to that event.

(2) No balancing allowance or balancing charge shall be made by reason of any event occurring more than 25 years (or, where the expenditure was incurred before 6th November 1962, 50 years) after the building or structure was first used and where two or more events occur during a period when the building or structure is not an industrial

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building or structure no balancing allowance or balancing charge shall be made on the occurrence of any of those events except the first.

- (3) Where there are no sale, insurance, salvage or compensation moneys, or where the residue of the expenditure immediately before the event exceeds those moneys, a balancing allowance shall be made the amount of which shall be the amount of that residue or, as the case may be, of the excess of the residue over those moneys.
- (4) If the sale, insurance, salvage or compensation moneys exceed the residue, if any, of the expenditure immediately before the event, a balancing charge shall be made, and the amount on which it is made shall be an amount equal to the excess or, where the residue is nil, to those moneys.
- (5) If for any part of the relevant period the building or structure was neither an industrial building or structure nor used for scientific research, subsections (6) to (9) below shall have effect instead of subsections (3) and (4) above.
- (6) Subject to subsection (8) below, where the sale, insurance, salvage or compensation moneys are not less than the capital expenditure, a balancing charge shall be made and the amount on which it is made shall be an amount equal to the allowances given.
- (7) Subject to subsection (8) below, where there are no sale, insurance, salvage or compensation moneys or where those moneys are less than the capital expenditure, then—
 - (a) if the adjusted net cost of the building or structure exceeds the allowances given, a balancing allowance shall be made the amount of which shall be an amount equal to the excess;
 - (b) if the adjusted net cost of the building or structure is less than the allowances given, a balancing charge shall be made and the amount on which it is made shall be an amount equal to the shortfall.
- (8) No balancing charge or allowance shall be made under subsection (6) or (7) above on the occasion of a sale if by virtue of section 158 the building or structure is treated as having been sold for a sum equal to the residue of the expenditure on its construction immediately before the sale.
- (9) In subsections (5) to (7) above and this subsection—

“the relevant period” means the period beginning at the time when the building or structure was first used for any purpose and ending with the event giving rise to the balancing allowance or balancing charge except that where there has been a sale of the building or structure after that time and before that event the relevant period shall begin on the day following that sale or, if there has been more than one such sale, the last such sale;

“the capital expenditure” means—

 - (a) where paragraph (b) of this definition does not apply, the capital expenditure incurred (or by virtue of section 10(1) deemed to have been occurred) on the construction of the building or structure;
 - (b) where the person to or on whom the balancing allowance or charge falls to be made is not the person who incurred (or is deemed to have incurred) that expenditure, the residue of that expenditure at the beginning of the relevant period,

together (in either case) with any amount to be added to the residue of that expenditure by virtue of section 8(12);

“the allowances given” means the allowances referred to in subsection (10) below;

“the adjusted net cost” means—

- (a) where there are no sale, insurance, salvage or compensation moneys, the capital expenditure;
- (b) where those moneys are less than that expenditure, the amount by which they are less,

reduced (in either case) in the proportion that the part, or the aggregate of the parts, of the relevant period for which the building or structure was an industrial building or structure or used for scientific research bears to the whole of that period;

“scientific research” has the same meaning as in Part VII.

- (10) Notwithstanding anything in subsections (1) to (9) above, in no case shall the amount on which a balancing charge is made on a person in respect of any expenditure on the construction of a building or structure exceed the amount of the initial allowance, if any, made to him in respect of that expenditure together with the amount of any writing-down allowances or scientific research allowances in respect of that expenditure, and any relevant mills, factories or exceptional depreciation allowances in respect of that building or structure, made to him for chargeable periods which end on or before the date of the event giving rise to the charge or of which the basis periods end on or before that date.

- (11) Where—

- (a) before 6th April 1990, a woman was entitled to the relevant interest in relation to expenditure incurred on the construction of a building or structure (whether she was entitled to it when the expenditure was incurred or acquired it afterwards);
- (b) for a chargeable period ending before that date, an allowance such as is mentioned in subsection (10) above was made to the woman’s husband in respect of her relevant interest; and
- (c) on or after that date there occurs an event such as is mentioned in subsection (1) above in respect of which the woman is entitled to all or part of any sale, insurance, salvage or compensation moneys,

the allowance shall be treated for the purposes of subsection (10) above as having been made to the woman.

- (12) In subsection (10) above “relevant mills, factories or exceptional depreciation allowances”, in relation to any building or structure, means —

- (a) any allowance granted for a year of assessment under section 15 of the Finance Act 1937 in respect of it or premises of which it forms part, including any amount which under that section was to be allowed as a deduction in computing profits or gains for that year of assessment, (but where such an allowance was granted in respect of premises which include several buildings or structures, the whole amount of that allowance shall be apportioned between all the buildings and structures and only that part of the allowance which is apportioned to the building or structure in question shall be taken into account), and
- (b) any allowance made under section 19 of the Finance Act 1941 in respect of that building or so much of any such allowance granted in respect of any building of which it forms part as is properly attributable to it.