

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 10: Assured tenancy allowances

Overview

1754. This Part provides for assured tenancy allowances. These can be writing-down allowances or balancing allowances. Balancing charges can recover “excessive allowances”.
1755. Allowances are only available in relation to expenditure incurred after 9 March 1982 and before 1 April 1992, on dwelling-houses let on assured tenancies.
1756. [Chapter 1](#) provides that both qualifying expenditure on a building and the existence of a qualifying dwelling-house are needed for allowances to be given. It sets out some conditions relating to when a building is a qualifying dwelling-house – further conditions are in [Chapter 4](#). The Chapter also sets time limits on the qualifying expenditure that is eligible for allowances – further material on qualifying expenditure is in [Chapter 3](#). The meaning of “approved body” is given. Expenditure attributable to land (rather than a building) cannot be construction expenditure. The treatment of expenditure on “capital repairs” is set out.
1757. [Chapter 2](#) deals, in relation to construction expenditure, with the relevant interest in the building and the relevant interest in a dwelling-house comprised in the building. A person must have the relevant interest in a dwelling-house in order to claim allowances on qualifying expenditure.
1758. [Chapter 3](#) deals, in relation to construction expenditure, with qualifying expenditure. Allowances can only be claimed if there is qualifying expenditure. Qualifying expenditure may not exist and it need not be the same as construction expenditure.
1759. [Chapter 4](#) deals with some requirements for a dwelling-house to be a qualifying dwelling-house. Allowances are only given in relation to a qualifying dwelling-house. If a dwelling-house ceases to be a qualifying dwelling-house, otherwise than on the sale of the relevant interest, there is a deemed market-value sale of the relevant interest – which may result in appropriate balancing adjustments being made.
1760. [Chapter 5](#) sets out the conditions to be satisfied for a person to get writing-down allowances. Only persons who are or have been approved bodies can have writing-down allowances for a chargeable period and then only if:
- that person has the relevant interest in a dwelling-house ([Chapter 2](#));
 - there is qualifying expenditure in relation to that dwelling-house ([Chapters 1 and 3](#)); and

*These notes refer to the Capital Allowances Act 2001
(c.2) which received Royal Assent on 22nd March 2001*

- at the end of the chargeable period the dwelling-house is a qualifying dwelling-house (Chapters 1 and 4).

The Chapter also gives the calculation of writing-down allowances and the meaning of “qualifying expenditure attributable to a dwelling-house”.

1761. [Chapter 6](#) deals with balancing adjustments that can occur up to 25 years after the dwelling-house is first used. These balancing adjustments are either balancing allowances or balancing charges and are made to or on the person entitled to the relevant interest immediately before a balancing event. The Chapter deals with balancing events and the calculation of balancing adjustments.
1762. [Chapter 7](#) sets out the calculation of the residue of qualifying expenditure appropriate to a dwelling-house. The concept of the residue is important as an allowance is limited to the residue of qualifying expenditure immediately before the allowance is made. The residue is also used in other Chapters in calculating the rate of writing-down allowances following transfers of the relevant interest and in the calculation of balancing adjustments.
1763. [Chapter 8](#) explains how allowances and charges under this Part are made and contains supplementary material.