

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 10: Assured tenancy allowances

Chapter 7: Writing off qualifying expenditure attributable to dwelling-house

Section 523: Introduction

1825. This section is based on part of section 90(1) of CAA 1990. It is a signpost to the fact that the residue of qualifying expenditure appropriate to a dwelling-house varies with the time at which it is to be found. The residue is found by starting with the qualifying expenditure appropriate to the dwelling-house and making any adjustments required by this Chapter up to the time concerned.

Section 524: Writing off initial allowances

1826. This section is based on section 90(2) of CAA 1990. It writes off any initial allowances that were made in respect of the qualifying expenditure attributable to the dwelling-house. The write off occurs when the dwelling-house is first used.

Section 525: Writing off writing-down allowances

1827. This section is based on section 90(3) and (4) of CAA 1990. It writes off any writing-down allowances that were made in respect of the qualifying expenditure attributable to the dwelling-house. The write off occurs at the end of the chargeable period for which the allowance is given.

1828. *Subsection (2)* clarifies the order in which adjustments to the residue must be made in the unusual case in which a balancing event also occurs at the end of the chargeable period.

Section 526: Writing off expenditure for periods when building not used as qualifying dwelling-house

1829. This section is based on section 90(5) of CAA 1990. It writes off part of the qualifying expenditure attributable to the dwelling-house for any period, after it is first used, during which the dwelling-house is not a qualifying dwelling-house. The write off is at the rate at which writing-down allowances could have been given during that period if the dwelling-house had been a qualifying dwelling-house.

1830. The rate at which writing-down allowances could have been given might vary during the period when the dwelling-house is not a qualifying dwelling-house. If so, the write off is found by splitting the period into periods during which the rate is the same and adding together the write-offs appropriate to each of those periods.

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

Section 527: Writing off or increase of expenditure where balancing adjustment made

1831. This section is based on section 90(6) to (8) of CAA 1990. It increases the residue of qualifying expenditure attributable to the dwelling-house by any balancing charge and reduces it by any balancing allowance made when the relevant interest is sold. The adjustment is made at the time when the relevant interest is sold.
1832. *Subsection (4)* makes sure that this section cannot result in the purchaser of the relevant interest “inheriting” a residue of qualifying expenditure greater than the price the purchaser effectively paid for the dwelling-house.

Section 528: Treatment of demolition costs

1833. This section is based on section 90(9) of CAA 1990. It allows the net cost of demolition of the dwelling-house to be added to the residue immediately before the demolition occurs if a balancing adjustment may occur on the demolition. This increase in the residue permits appropriate relief for the demolition costs in working out the balancing adjustment under Chapter 6.