

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 2: Plant and machinery allowances

Chapter 7: Computer software

Overview

356. This Chapter makes additional provision for computer software:
- computer software is treated as plant for the purposes of Part 2 (section 71); and
 - the grant of rights to software on which qualifying expenditure is incurred may require a disposal value to be brought into account for which there are additional rules (sections 72 and 73).

Section 71: Software and rights to software

357. This section is based on section 67A of CAA 1990. It treats software and rights to software as plant. This means expenditure on software can qualify for plant and machinery allowances.

Section 72: Disposal values

358. This section is based on sections 24(6A) and 26(1)(ea), (eb) and (ec) of CAA 1990. It makes additional provision (over and above those in Chapter 5) for disposal values for computer software.
359. *Subsections (1) and (2)* are based on section 24(6A) of CAA 1990. They introduce as an additional disposal event for computer software the grant of a right to use or otherwise deal with software. This does not affect how computer software is subject to the ordinary disposal events. See section 61.
360. *Subsection (3)* is based on section 26(1)(ea), (eb) and (ec) of CAA 1990. It deals with disposal values for the grant of a right to use or otherwise deal with computer software.

Section 73: Limit on disposal values

361. This section is based on section 26(2AA). It deals with the limit on disposal values for computer software and rights to use or otherwise deal in computer software.
362. The general limit on disposal values is in section 62. This section modifies that to take account of the fact that there may have been earlier disposal values brought into account.