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

CAPITAL ALLOWANCES ACT 2001

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Glossary

Part 2: Plant and machinery allowances

Chapter 17: Anti-avoidance

Section 220: Allocation of expenditure to a chargeable period

801. This section is based on section 25(5A) to (5C) of CAA 1990. Its effect is to restrict qualifying expenditure (and so writing-down allowances) for the first chargeable period if finance lessors incur expenditure part-way through the chargeable period.

802. *Subsection (1)* derives from section 25(5A). That provision provides for expenditure incurred in a chargeable period not to be taken into account, except for any part relating to the time after it is incurred. This Act expresses this rule more simply by turning it around to prevent expenditure relating to the time before it is incurred being taken into account.

803. *Subsection (1)(b)* is based on section 25(5C). Section 25(5C) is necessary in CAA 1990 because section 25(1)(a)(i) excludes from a person's qualifying expenditure any expenditure "any part of which" has formed part of that person's qualifying expenditure for a previous chargeable period. Because of the way in which this Act rewrites section 25(1)(a) no equivalent of section 25(5C) is strictly needed. But the reader of this section may not be sure whether subsection (1)(a) merely delays the expenditure from forming part of the available qualifying expenditure or excludes it permanently. Subsection (1)(b) makes the position clear.

804. *Subsection (2)* is based on section 25(5B). It disapplies the rule in subsection (1)(a) if a disposal value has to be brought into account in the same chargeable period in which the expenditure is incurred. It leaves the person to get relief as usual for the qualifying expenditure less the disposal value.