

*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 4: Agricultural buildings allowances

Chapter 4: Writing-down allowances

Overview

1281. This Chapter identifies who is entitled to writing-down allowances when and in what amount.
1282. [Sections 372](#) and [373](#) give the general rules. Writing-down allowances are made to whoever holds the relevant interest. Allowances are made at 4% a year over a 25-year period. This is referred to as the writing-down period.
1283. [Section 374](#) withdraws allowances if the building's first use is not for husbandry.
1284. [Sections 375](#) and [376](#) deal with transfers of the relevant interest after first use of a building. [Section 375](#) gives the new owner entitlement to writing-down allowances. [Section 376](#) sets out the rules for calculating the new owner's allowances.
1285. [Section 377](#) stops writing-down allowances being given if there is a balancing adjustment in a chargeable period.
1286. [Sections 378](#) and [379](#) ensure that allowances do not exceed the qualifying expenditure and, conversely, that the final writing-down allowance does not leave some qualifying expenditure incapable of being used.

Section 372: Entitlement to writing-down allowance

1287. This section is based on section 123 of CAA 1990. It gives the general rule for entitlement to writing-down allowances.
1288. There is a minor change. *Subsection (3)* allows a person to claim less than full entitlement to a writing-down allowance. See *Change 38* in Annex 1.

Section 373: Basic rule for calculating amount of allowance

1289. This section is based on parts of sections 123 and 126(2) of CAA 1990. It gives the 4% rate for agricultural buildings allowances.

Section 374: First use of building not for purposes of husbandry etc.

1290. This section is based on section 124(2) of CAA 1990. It deals with buildings if the first use is not for husbandry. Writing-down allowances are not then available. Any allowances previously given are withdrawn.

Section 375: Effect of acquisition of relevant interest after first use of building

1291. This section is based on section 126(1), (2) and (3) of CAA 1990. It deals with transfers of a relevant interest after a building has been used.
1292. Entitlement to allowances then passes to the new owner. If the relevant interest in only part of the related agricultural land changes hands, succession to allowances is confined to those which are specific to that part of the land.

Section 376: Calculation of allowance after acquisition

1293. This section is mainly based on section 129(1) and (3) of CAA 1990. It provides the rate of writing-down allowances after a balancing event so the new owner gets the right total allowances over the remainder of the writing-down period. The “writing-down period” is defined by section 372(2).
1294. *Subsections (1) and (2)* give the rules for recalculating writing-down allowances. These apply if there is a balancing event and an election for a balancing adjustment. The residue of qualifying expenditure is spread over the remaining period.
1295. *Subsection (6)* adjusts the writing-down allowance for any chargeable period in which the relevant interest is not held throughout. This is the same rule as in section 375(4)(b).

Section 377: Chargeable period when balancing adjustment made

1296. This section is based on part of section 128(1) of CAA 1990. It stops people getting writing-down allowances for the same chargeable period for which they get a balancing adjustment. Balancing adjustments are dealt with in Chapter 5.

Section 378: Allowance limited to residue of qualifying expenditure

1297. This section is based on section 146(2) and (3) of CAA 1990. It limits the amount of a writing-down allowance for a chargeable period to the residue of qualifying expenditure immediately prior to the allowance being made. This makes sure the total allowances do not exceed the qualifying expenditure.

Section 379: Final writing-down allowance

1298. This section is based on section 126(6) of CAA 1990. It makes sure the owner of the relevant interest at the end of the writing-down period gets the full entitlement to allowances on the assumptions in subsection (3). Its effect is to “catch up” any allowances lost solely as a result of the way the rules for giving allowances on a transfer operate.