



Capital Allowances Act 2001

2001 CHAPTER 2

PART 10

ASSURED TENANCY ALLOWANCES

CHAPTER 2

THE RELEVANT INTEREST

Introduction

494 Introduction

This Chapter identifies, in a case where a person has incurred expenditure on the construction of a building which is to be or include a qualifying dwelling-house—

- (a) the relevant interest in the building, and
- (b) the relevant interest in a dwelling-house comprised in the building.

The relevant interest in the building

495 General rule as to what is the relevant interest in the building

- (1) The relevant interest in the building is the interest in the building to which the person who incurred the expenditure on the construction of the building was entitled when the expenditure was incurred.
- (2) Subsection (1) is subject to the following provisions of this Chapter.
- (3) If—
 - (a) the person who incurred the expenditure on the construction of the building was entitled to more than one interest in the building when the expenditure was incurred, and

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)

(b) one of those interests was reversionary on all the others,
the reversionary interest is the relevant interest.

496 Interest acquired on completion of construction

For the purpose of determining the relevant interest, a person who—

- (a) incurs expenditure on the construction of a building, and
- (b) is entitled to an interest in the building on or as a result of the completion of the construction,

is treated as having had that interest when the expenditure was incurred.

497 Effect of creation of subordinate interest

An interest does not cease to be the relevant interest merely because of the creation of a lease or other interest to which that interest is subject.

498 Merger of leasehold interest

If the relevant interest is a leasehold interest which is extinguished on—

- (a) being surrendered, or
- (b) the person entitled to it acquiring the interest which is reversionary on it,

the interest into which the leasehold interest merges becomes the relevant interest when the leasehold interest is extinguished.

499 Provisions applying on termination of lease

- (1) This section applies if the relevant interest in relation to expenditure on the construction of a building is a lease.
- (2) If, with the consent of the lessor, the lessee of a building remains in possession after the termination of the lease without a new lease being granted to him, the lease is treated as continuing as long as the lessee remains in possession.
- (3) If on the termination of the lease a new lease is granted to the lessee as a result of the exercise of an option available to him under the terms of the first lease, the second lease is treated as a continuation of the first.
- (4) If on the termination of the lease the lessor pays a sum to the lessee in respect of a building comprised in the lease, the lease is treated as if it had come to an end by surrender in consideration of the payment.
- (5) If on the termination of the lease—
 - (a) a new lease is granted to a different lessee, and
 - (b) in connection with the transaction that lessee makes a payment to the former lessee,

the two leases are treated as if they were the same lease which had been assigned by the former lessee to the new lessee in consideration of the payment.

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The relevant interest in the dwelling-house

500 The relevant interest in the dwelling-house

The relevant interest in a dwelling-house comprised in a building is the relevant interest in the building, to the extent that it subsists in the dwelling-house.

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