



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 10

#### ASSURED TENANCY ALLOWANCES

### CHAPTER 5

#### WRITING-DOWN ALLOWANCES

##### *Entitlement to and calculation of writing-down allowances*

#### **507 Entitlement to writing-down allowance**

- (1) A person is entitled to a writing-down allowance for a chargeable period if—
  - (a) qualifying expenditure has been incurred on a building,
  - (b) that person is or has been an approved body,
  - (c) at the end of that chargeable period the person is entitled to the relevant interest in the building, and
  - (d) at the end of that chargeable period, the building is or includes a qualifying dwelling-house or two or more qualifying dwelling-houses.
- (2) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.

#### **508 Basic rule for calculating amount of allowance**

- (1) The basic rule is that the writing-down allowance for a chargeable period is 4% of the qualifying expenditure attributable to the dwelling-house or (as the case may be) each dwelling-house falling within section 507(1)(d).
- (2) The allowance is proportionately increased or reduced if the chargeable period is more or less than a year.

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*Changes to legislation:* There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

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(3) The basic rule does not apply if section 509 applies.

### **509 Calculation of allowance after sale of relevant interest**

- (1) This section applies if—
- (a) the relevant interest in a qualifying dwelling-house is sold, and
  - (b) a balancing adjustment falls to be made under section 513 as a result of the sale.
- (2) If this section applies, the writing-down allowance for any chargeable period ending after the sale is—

$$RQE \times \frac{A}{B}$$

where—

RQE is the amount of the residue of qualifying expenditure attributable to the dwelling-house immediately after the sale,

A is the length of the chargeable period, and

B is the length of the period from the date of the sale to the end of the period of 25 years beginning with the day on which the dwelling-house was first used.

- (3) On any later such sale, the writing-down allowance is further adjusted in accordance with this section.

### **510 Allowance limited to residue of qualifying expenditure attributable to dwelling-house**

- (1) The amount of the writing-down allowance for a chargeable period in respect of a dwelling-house is limited to the residue of qualifying expenditure attributable to it.
- (2) For this purpose the residue is ascertained immediately before writing off the writing-down allowance at the end of the chargeable period.

#### *Interpretation*

### **511 Qualifying expenditure attributable to dwelling-house**

- (1) If the building concerned consists of a single qualifying dwelling-house, then, subject to the relevant limit, the whole of the qualifying expenditure is attributable to the dwelling-house.
- (2) If the qualifying dwelling-house forms part of a building, the qualifying expenditure attributable to the dwelling-house is, subject to the relevant limit, the total of—
- (a) the part of the qualifying expenditure properly attributable to that dwelling-house, and
  - (b) if there are common parts of the building, such part of the qualifying expenditure on those common parts—
    - (i) as it is just and reasonable to attribute to that dwelling-house, and
    - (ii) as does not exceed 10% of the part referred to in paragraph (a).
- (3) In this section “the relevant limit” means—

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- (a) £60,000, if the dwelling-house is in Greater London, and
  - (b) £40,000, if the dwelling-house is elsewhere.
- (4) In subsection (2) “common parts”, in relation to a building, means common parts of the building which—
- (a) are not intended to be in separate occupation (whether for domestic, commercial or other purposes), but
  - (b) are intended to be of benefit to some or all of the qualifying dwelling-houses included in the building.
- (5) For the purposes of subsection (2), the qualifying expenditure on any common parts of a building is so much of the expenditure on the construction of the building as it is just and reasonable to attribute to those parts.

## **512 Residue of qualifying expenditure attributable to dwelling-house**

- (1) The residue of qualifying expenditure attributable to a dwelling-house is the qualifying expenditure attributable to that dwelling-house that has not yet been written off in accordance with Chapter 7.
- (2) Subsection (1) is subject to section 528 (treatment of demolition costs).

**Changes to legislation:**

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