



Capital Allowances Act 2001

2001 CHAPTER 2

PART 11

CONTRIBUTIONS

CHAPTER 1

EXCLUSION OF EXPENDITURE MET BY CONTRIBUTIONS

Rules excluding contributions

532 The general rule excluding contributions

- (1) For the purposes of this Act, the general rule is that a person (“R”) is to be regarded as not having incurred expenditure to the extent that it has been, or is to be, met (directly or indirectly) by—
 - (a) a public body, or
 - (b) a person other than R.
- (2) In this Chapter “public body” means the Crown or any government or public or local authority (whether in the United Kingdom or elsewhere).
- (3) The general rule does not apply for the purposes of Part 9 (dredging allowances).
- (4) The general rule is subject to the exceptions in sections 534 to 536.

Modifications etc. (not altering text)

- C1** S. 532 modified (1.4.2010) by 2005 c. 5, s. 225T(7) (as inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 1 para. 2](#) (with [Sch. 9 paras. 1-9, 22](#)))

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11. (See end of Document for details)

533 Exclusion of contributions to dredging

- (1) For the purposes of Part 9, a person (“D”) who has incurred expenditure is to be regarded as not having incurred it for the purposes of a trade carried on or to be carried on by D to the extent that it has been, or is to be, met (directly or indirectly) by—
- (a) a public body, or
 - (b) capital sums contributed by another person for purposes other than those of D’s trade.
- (2) Subsection (1) is not subject to the exceptions in sections 534 to 536.

Exceptions to the general rule excluding contributions

534 Northern Ireland regional development grants

- (1) A person is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that it is met (directly or indirectly) by a grant—
- (a) made under Northern Ireland legislation, and
 - (b) declared by the Treasury by order to correspond to a grant under Part II of the Industrial Development Act 1982 (c. 52).
- (2) Subject to subsection (3), the grant is to be treated as not falling within subsection (1) if, by virtue of paragraph 8 of Schedule 3 to OTA 1975, expenditure which has been or is to be met by the grant is not to be regarded for any of the purposes of Part I of OTA 1975 as having been incurred by any person.
- (3) If only a proportion of the expenditure which has been or is to be met by the grant is expenditure which, if it were not so met, would be allowable under section 3 or 4 of OTA 1975, only a corresponding proportion of the grant is to be treated as not falling within subsection (1).

535 Insurance or compensation money

A person is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that it is met (directly or indirectly) by—

- (a) insurance money, or
- (b) other compensation money,

payable in respect of an asset which has been destroyed, demolished or put out of use.

536 Contributions not made by public bodies and not eligible for tax relief

- (1) A person (“R”) is to be regarded as having incurred expenditure (despite section 532(1)) to the extent that the requirements in subsections (2) and (3) are satisfied in relation to the expenditure [F1 (but see subsection (6))].
- (2) The first requirement is that the person meeting R’s expenditure (“C”) is not a public body.
- (3) The second requirement is that—
- (a) no allowance can be made under Chapter 2 in respect of C’s expenditure, and
 - (b) the expenditure is not allowed to be deducted in calculating the profits of a trade or relevant activity carried on by C.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11. (See end of Document for details)

- (4) When determining for the purposes of subsection (3)(a) whether an allowance can be made under Chapter 2, assume that C is within the charge to tax.
- (5) In subsection (3)(b) “relevant activity” means—
- (a) for the purposes of Part 2—
 - (i) an ordinary [^{F2}UK][^{F3}property] business;
 - (ii) a [^{F4}UK furnished] holiday lettings business;
 - (iii) an [^{F5}ordinary overseas] property business;
 - [^{F6}(iiia) an EEA furnished holiday lettings business;]
 - (iv) a profession or vocation;
 - (v) any concern listed in [^{F7}section 12(4) of ITTOIA 2005 or][^{F8}section 39(5) of CTA 2009] (mines, transport undertakings etc.);
 - (vi) the management of an investment company;
 - (b) for other purposes, a profession or vocation.
- [^{F9}(6) Subsection (1) does not apply for the purposes of Part 2A (structures and buildings allowances).]

Textual Amendments

- F1** Words in s. 536(1) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(9)(a)**
- F2** Word in s. 536(5)(a)(i) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(15)(a)**
- F3** Word in s. 536(5)(a)(i) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 570(a)** (with Sch. 2)
- F4** Words in s. 536(5)(a)(ii) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(15)(b)**
- F5** Words in s. 536(5)(a)(iii) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(15)(c)**
- F6** S. 536(5)(a)(iiia) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(15)(d)**
- F7** Words in s. 536(5)(a)(v) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 570(b)** (with Sch. 2)
- F8** Words in s. 536(5)(a)(v) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 516** (with Sch. 2 Pts. 1, 2)
- F9** S. 536(6) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(9)(b)**

CHAPTER 2

CONTRIBUTION ALLOWANCES

Contribution allowances under [^{F10}Parts 2[^{F11}, 2A], 3, 4 and 5]

Textual Amendments

- F10** Words in s. 537(1) cross-heading substituted (with effect in accordance with s. 92 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), **Sch. 6 para. 5**; S.I. 2007/949, art. 2

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11. (See end of Document for details)

F11 Word in s. 537 cross-heading inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(10)(d)**

537 Conditions for contribution allowances under ^{F12}Parts 2^{F13}, 2A^{F14}... and 5]

- (1) This section gives general conditions for making contribution allowances under ^{F12}Parts 2^{F15}, 2A^{F16}... and 5].
- (2) The general conditions are that—
 - (a) a person (“C”) has contributed a capital sum to expenditure on the provision of an asset,
 - (b) the expenditure would (ignoring section 532(1))—
 - (i) have been regarded as wholly incurred by another person (“R”), and
 - (ii) if R is not a public body, have entitled R to allowances under Part 2^{F17}, 2A^{F18}... or 5 or to allocate the expenditure to a pool under Part 2, and
 - (c) C and R are not connected persons.
- (3) In this section “public body” means the Crown or any public or local authority in the United Kingdom.
- (4) In this Chapter “relevant activity” has the meaning given by section 536(5).

Textual Amendments

- F12** Words in s. 537(1) substituted (with effect in accordance with s. 92 of the amending Act) by [Finance Act 2005 \(c. 7\)](#), **Sch. 6 para. 5**; S.I. 2007/949, art. 2
- F13** Word in s. 537 heading inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(10)(c)**
- F14** Words in s. 537 heading omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 27 para. 8(c)**
- F15** Word in s. 537(1) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(10)(a)**
- F16** Words in s. 537(1) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 27 para. 8(a)**
- F17** Word in s. 537(2)(b)(ii) inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(10)(b)**
- F18** Words in s. 537(2)(b)(ii) omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 27 para. 8(b)**

538 Plant and machinery

- (1) This section is about contribution allowances under Part 2 and applies if—
 - (a) the general conditions for contribution allowances are met, ^{F19}...
 - ^{F20}(aa) C's contribution is to expenditure on the provision of plant or machinery, and
 - (b) C's contribution is made for the purposes of a trade or relevant activity carried on, or to be carried on, by C.
- (2) C is to be treated for the purposes of allowances under Part 2 as if—
 - (a) the contribution were expenditure incurred by C on the provision, for the purposes of C's trade or relevant activity, of the ^{F21}plant or machinery],

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- (b) C owned the [^{F22}plant or machinery] as a result of incurring that expenditure at any time when R owns it or is treated under Part 2 as owning it, and
 - (c) the [^{F23}plant or machinery] were at all material times [^{F24}plant or machinery] in use for the purposes of C's trade or relevant activity.
- (3) Expenditure treated as incurred under subsection (2)(a), if allocated to any pool, must be allocated to a single asset pool.
- (4) Subsections (5) and (6) apply for the purposes of contribution allowances under Part 2 if the whole or a part of the trade or relevant activity for the purposes of which C's contribution was made is transferred.
- (5) If the whole of the trade or relevant activity is transferred, writing-down allowances for chargeable periods ending after the date of the transfer are to be made to the transferee instead of to the transferor.
- (6) If a part of the trade or relevant activity is transferred, writing-down allowances for chargeable periods ending after the date of the transfer are to be made to the transferee instead of to the transferor to the extent that they are properly referable to the part transferred.

Textual Amendments

- F19** Word in s. 538(1)(a) omitted (with effect in accordance with s. 73(4)-(6) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), s. 73\(2\)](#)
- F20** S. 538(1)(aa) inserted (with effect in accordance with s. 73(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 73\(2\)](#)
- F21** Words in s. 538(2)(a) substituted (with effect in accordance with s. 73(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 73\(3\)\(a\)](#)
- F22** Words in s. 538(2)(b) substituted (with effect in accordance with s. 73(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 73\(3\)\(b\)](#)
- F23** Words in s. 538(2)(c) substituted (with effect in accordance with s. 73(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 73\(3\)\(c\)\(i\)](#)
- F24** Words in s. 538(2)(c) substituted (with effect in accordance with s. 73(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 73\(3\)\(c\)\(ii\)](#)

[^{F25}538A Buildings and structures

- (1) For the purposes of contribution allowances under Part 2A, the references in section 537(2) to expenditure on the provision of an asset are to be treated as references to expenditure which is qualifying expenditure for the purposes of Part 2A.
- (2) This section applies if—
- (a) the general conditions for contribution allowances are met,
 - (b) C's contribution is to expenditure which is qualifying expenditure for the purposes of Part 2A, and
 - (c) C's contribution is made for the purposes of a qualifying activity (within the meaning of Part 2A) which is—
 - (i) if R is a public body, an activity carried on, or to be carried on, by C or by a tenant of land in which C has an interest, or
 - (ii) if R is not a public body, an activity carried on, or to be carried on, by a tenant of land in which C has an interest.

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- (3) C is to be treated for the purposes of allowances under Part 2A as if—
- (a) the contribution were expenditure incurred by C on the construction or acquisition of the building or structure,
 - [^{F26}(b) the building or structure were brought into qualifying use, for the purposes of the allowance in relation to the contribution, on—
 - (i) the day on which R first brought the building or structure into qualifying use, or
 - (ii) if R is a public body, the earlier of the day mentioned in subparagraph (i) and the day on which R first brought the building or structure into non-residential use],
 - (c) for the purposes of section 270AA(2)(b), the day on which the qualifying expenditure is incurred were the day on which C made the contribution.
- [^{F27}(4) If, at any time in the period beginning with the day on which C made the contribution and ending with the day on which R first brought the building or structure into non-residential use, C did not have a relevant interest in the building or structure—
- (a) C is to be treated for the purposes of allowances under Part 2A as having had a relevant interest in the building or structure when that period begins, and
 - (b) C is not to be treated for those purposes as ceasing to have that interest on any subsequent sale of R’s relevant interest in the building or structure.]
- (5) For the purposes of this section, the provisions of Part 2A relating to the relevant interest apply (with any necessary modifications) in relation to the contribution as they apply in relation to expenditure incurred on the construction or acquisition of a building or structure.
- (6) In subsection (2), “public body” means the Crown or any government or public or local authority (whether in the United Kingdom or elsewhere).]
- [^{F28}(7) In determining, for the purposes of this section, the day on which R first brings a building or structure into non-residential use, ignore any use of the building or structure which is insignificant.]

Textual Amendments

- F25** S. 538A inserted (5.7.2019) by [The Capital Allowances \(Structures and Buildings Allowances\) Regulations 2019 \(S.I. 2019/1087\)](#), regs. 1, **3(11)**
- F26** S. 538A(3)(b) substituted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), **Sch. 5 para. 3(2)**
- F27** S. 538A(4) substituted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), **Sch. 5 para. 3(3)**
- F28** S. 538A(7) inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), **Sch. 5 para. 3(4)**

^{F29}539 Industrial buildings

.....

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11. (See end of Document for details)

Textual Amendments

F29 S. 539 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 27 para. 9**

^{F30}540 Agricultural buildings

.....

Textual Amendments

F30 S. 540 omitted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 27 para. 10**

541 Mineral extraction

- (1) This section is about contribution allowances under Part 5 and applies if—
 - (a) the general conditions for contribution allowances are met, and
 - (b) C's contribution is made for the purposes of a trade carried on, or to be carried on, by C.
- (2) C is to be treated for the purposes of allowances under Part 5 as if—
 - (a) the contribution were expenditure incurred by C on the provision, for the purposes of C's trade, of an asset similar to that provided by means of C's contribution, and
 - (b) the asset were at all material times in use for the purposes of C's trade.

Effect of transfers of C's trade on contribution allowances under Parts 3, 4 and 5

542 Transfer of C's trade ^{F31}...

- (1) Subsections (2) and (3) apply for the purposes of contribution allowances under [^{F32}Part 5] if—
 - (a) C's contribution was made for the purposes of C's trade ^{F31}..., and
 - (b) the whole or a part of the trade ^{F31}... is subsequently transferred.
- (2) If the whole of the trade ^{F31}... is transferred, writing-down allowances for chargeable periods ending after the date of the transfer are to be made to the transferee instead of to the transferor.
- (3) If a part of the trade ^{F31}... is transferred, writing-down allowances for chargeable periods ending after the date of the transfer are to be made to the transferee instead of to the transferor to the extent that they are properly referable to the part transferred.

Textual Amendments

F31 Words in s. 542 repealed (31.1.2013) by *Statute Law (Repeals) Act 2013* (c. 2), s. 3(2), **Sch. 1 Pt. 10**
Group 1

Changes to legislation: *There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11. (See end of Document for details)*

F32 Words in s. 542(1) substituted (with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 11](#)

Contribution allowances under Part 9

543 Contribution allowances under Part 9

A person who contributes a capital sum to expenditure incurred by another person on dredging is to be regarded for the purposes of Part 9 as incurring capital expenditure on that dredging.

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Part 11.