



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.

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

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- (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.
- (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.
- (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—

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- (i) an ordinary Schedule A business;
 - (ii) a furnished holiday lettings business;
 - (iii) an overseas property business;
 - (iv) a profession or vocation;
 - (v) any concern listed in section 55(2) of ICTA (mines, transport undertakings etc.);
 - (vi) the management of an investment company;
- (b) for other purposes, a profession or vocation.

CHAPTER 2

CONTRIBUTION ALLOWANCES

Contribution allowances under Parts 2 to 5

537 Conditions for contribution allowances under Parts 2 to 5

- (1) This section gives general conditions for making contribution allowances under Parts 2 to 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, 3, 4 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).

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, 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 asset provided by means of C’s contribution,
 - (b) C owned the asset 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 asset were at all material times in use for the purposes of C’s trade or relevant activity.

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- (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.

539 Industrial buildings

- (1) This section is about contribution allowances under Part 3 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 or relevant activity carried on, or to be carried on—
 - (i) by C, or
 - (ii) by a tenant of land in which C has an interest.
- (2) C is to be treated for the purposes of allowances under Part 3 as if—
 - (a) the contribution were expenditure incurred by C on the provision, for the purposes of the trade or relevant activity, 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 the trade or relevant activity.
- (3) Subsection (4) applies if—
 - (a) C's contribution was made for the purposes of a trade or relevant activity carried on, or to be carried on, by a tenant of land in which C had an interest, and
 - (b) C was entitled to allowances as a result of subsection (2).
- (4) A person is entitled to a writing-down allowance for a chargeable period if at the end of the period the person is entitled to the interest held by C when the contribution was made.
- (5) For the purposes of subsection (4), the provisions of Part 3 relating to the relevant interest apply (with any necessary modifications) in relation to the contribution made for the purposes of the trade or relevant activity carried on, or to be carried on, by the tenant as they apply in relation to expenditure incurred on the construction of an industrial building.
- (6) Section 311 (calculation of writing-down allowance after sale of relevant interest) does not apply in relation to writing-down allowances to be made in respect of contributions.

540 Agricultural buildings

- (1) This section is about contribution allowances under Part 4 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 or relevant activity carried on, or to be carried on—
 - (i) by C, or
 - (ii) by a tenant of land in which C has an interest.
- (2) C is to be treated for the purposes of allowances under Part 4 as if—
 - (a) the contribution were expenditure incurred by C on the provision, for the purposes of the trade or relevant activity, 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 the trade or relevant activity.
- (3) Subsection (4) applies if—
 - (a) C's contribution was made for the purposes of a trade or relevant activity carried on, or to be carried on, by a tenant of land in which C had an interest, and
 - (b) C was entitled to allowances as a result of subsection (2).
- (4) A person is entitled to a writing-down allowance for a chargeable period if at the end of the period the person is entitled to the interest held by C when the contribution was made.
- (5) For the purposes of subsection (4), the provisions of Part 4 relating to the relevant interest apply (with any necessary modifications) in relation to the contribution made for the purposes of the trade or relevant activity carried on, or to be carried on, by the tenant as they apply in relation to expenditure incurred on the construction of an agricultural building.

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 or relevant activity

- (1) Subsections (2) and (3) apply for the purposes of contribution allowances under Parts 3 to 5 if—

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- (a) C's contribution was made for the purposes of C's trade or relevant activity, and
 - (b) the whole or a part of the trade or relevant activity is subsequently transferred.
- (2) 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.
- (3) 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.

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.