



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 1

INTRODUCTION

11 General conditions as to availability of plant and machinery allowances

- (1) Allowances are available under this Part if a person carries on a qualifying activity and incurs qualifying expenditure.
- (2) “Qualifying activity” has the meaning given by Chapter 2.
- (3) Allowances under this Part must be calculated separately for each qualifying activity which a person carries on.
- (4) The general rule is that expenditure is qualifying expenditure if—
 - (a) it is capital expenditure on the provision of plant or machinery wholly or partly for the purposes of the qualifying activity carried on by the person incurring the expenditure, and
 - (b) the person incurring the expenditure owns the plant or machinery as a result of incurring it.
- (5) But the general rule is affected by other provisions of this Act, and in particular by Chapter 3.

12 Expenditure incurred before qualifying activity carried on

- [^{F1}(1)] For the purposes of this Part, expenditure incurred for the purposes of a qualifying activity by a person about to carry on the activity is to be treated as if it had been incurred by him on the first day on which he carries on the activity.

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- [^{F2}(2) Subsection (3) applies if—
- (a) a company that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
 - (b) the activities for the purposes of which the expenditure is incurred would, if the company were a NIRE company, be an NI rate activity treated as a separate trade, and
 - (c) the company subsequently becomes a NIRE company.
- (3) The expenditure is to be treated as incurred on the first day of the first chargeable period in which the company is a NIRE company.
- (4) Subsection (5) applies if—
- (a) a partnership that does not have a Northern Ireland regional establishment incurs expenditure for the purposes of a trade,
 - (b) the activities for the purposes of which the expenditure is incurred would, if the partnership were a Northern Ireland Chapter 7 firm, be an NI rate activity treated as a separate trade, and
 - (c) the partnership subsequently becomes a Northern Ireland Chapter 7 firm.
- (5) The expenditure is to be treated for the purposes of this Part so far as relating to the corporate partner calculation as incurred on the first day of the first chargeable period in which the partnership is a Northern Ireland Chapter 7 firm.
- (6) In this section “Northern Ireland regional establishment” has the same meaning as in Part 8B of CTA 2010 (see Chapter 5 of that Part as read, in relation to a partnership, with section 357WA(4) of that Act.)]

Textual Amendments

- F1** S. 12 renumbered as s. 12(1) (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\), Sch. 1 para. 3\(2\)](#)
- F2** S. 12(2)-(6) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\), Sch. 1 para. 3\(3\)](#)

13 Use for qualifying activity of plant or machinery provided for other purposes

- (1) This section applies if a person—
- (a) brings plant or machinery into use for the purposes of a qualifying activity carried on by him, and
 - (b) on the date when he does so, owns the plant or machinery as a result of having incurred capital expenditure (“actual expenditure”) on its provision for purposes other than those of that qualifying activity.
- (2) The person is to be treated—
- (a) as having incurred capital expenditure (“notional expenditure”) on the provision of the plant or machinery for the purposes of the qualifying activity on the date on which it is brought into use for those purposes, and
 - (b) as owning the plant or machinery as a result as having incurred that expenditure.

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- (3) Subject to subsection (4), the amount of the notional expenditure is the market value of the plant or machinery on the date when it is brought into use for the purposes of the qualifying activity.
- (4) If the market value is greater than the actual expenditure, the amount of the notional expenditure is the amount of the actual expenditure, less any amount required to be deducted under subsection (5).
- (5) The amount to be deducted is any amount that under section 218^{F3}... would have been left out of account in determining the person's available qualifying expenditure if the actual expenditure had been incurred on the provision of the plant or machinery for the purposes of the qualifying activity.
- (6) The question whether the provision of the plant or machinery is to be treated as wholly or only partly for the purposes of the qualifying activity is to be determined according to whether the use referred to in subsection (1)(a) is wholly or only partly for those purposes.
- (7) This section is subject to section 161 (pre-trading expenditure on mineral exploration and access).

Textual Amendments

- F3** Words in s. 13(5) omitted (with effect in accordance with Sch. 20 para. 6(19) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 6\(2\)](#)

Modifications etc. (not altering text)

- C1** S. 13 applied (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [ss. 827](#), (with s. 828(2), [Sch. 2](#))
- C2** S. 13 applied (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [ss. 126\(2\)](#), 1184(1) (with [Sch. 2](#))
- C3** S. 13 modified by 2005 c. 5, s. 825C (as substituted (with effect in accordance with s. 3(4) of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [s. 3\(3\)](#) (with s. 3(5)))
- C4** S. 13 modified by 2009 c. 4, s. 18C(2) (as inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 4, 31](#))

[^{F4}13A Use for other purposes of plant or machinery previously used for long funding leasing

- (1) This section applies if a person who has been using plant or machinery for the purpose of leasing it under a long funding lease (see Chapter 6A)—
 - (a) ceases to use the plant or machinery for that purpose without ceasing to use it for the purposes of a qualifying activity carried on by him, and
 - (b) on the date of the cessation, owns the plant or machinery as a result of having incurred capital expenditure on its provision for the purposes of the qualifying activity.
- (2) The person is to be treated—
 - (a) as having incurred capital expenditure (“notional expenditure”) on the provision of the plant or machinery for the purposes of the qualifying activity on the day after the cessation,

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- (b) as owning the plant or machinery as a result of having incurred that expenditure, and
 - (c) as if the plant or machinery on and after that day were different plant or machinery from the plant or machinery before that day.
- (3) The amount of the notional expenditure is an amount equal to the termination amount, determined in accordance with section 70YG, in the case of the long funding lease under which the plant or machinery was last leased before the cessation.]

Textual Amendments

- F4** S. 13A inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 2](#)

[^{F5}13B Use for other purposes of plant or machinery: property businesses

- (1) This section applies if a person who has been using plant or machinery for the purposes of a relevant qualifying activity—
- (a) ceases to use the plant or machinery for that purpose without ceasing to use it for the purposes of another relevant qualifying activity (“the other activity”) carried on by the person, and
 - (b) on the date of the cessation, owns the plant or machinery as a result of having incurred capital expenditure on its provision for the purposes of the other activity.
- (2) The person is to be treated—
- (a) as having incurred capital expenditure (“notional expenditure”) on the provision of the plant or machinery for the purposes of the other activity on the day after the cessation,
 - (b) as owning the plant or machinery as a result of having incurred that expenditure, and
 - (c) as if the plant or machinery on or after that day were different plant or machinery from the plant or machinery before that day.
- (3) Subject to subsection (4), the amount of the notional expenditure is the market value of the plant or machinery on the date of cessation.
- (4) If the market value is greater than the actual expenditure, the amount of the notional expenditure is the amount of the actual expenditure.
- (5) “Relevant qualifying activity” means—
- (a) ordinary UK property business or UK furnished holiday lettings business, or
 - (b) ordinary overseas property business or EEA furnished holiday lettings business,
- (as the case may be).]

Textual Amendments

- F5** S. 13B inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 12\(2\)](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 1. (See end of Document for details)

14 Use for qualifying activity of plant or machinery which is a gift

- (1) This section applies if a person—
 - (a) is the owner of plant or machinery as a result of a gift, and
 - (b) brings the plant or machinery into use for the purposes of a qualifying activity carried on by him.
- (2) The person is to be treated—
 - (a) as having incurred capital expenditure on the provision of the plant or machinery for the purposes of the qualifying activity on the date on which it is brought into use for those purposes, and
 - (b) as owning the plant or machinery as a result of having incurred that expenditure.
- (3) The amount of that capital expenditure is to be treated as being the market value of the plant or machinery on the date when it was brought into use for the purposes of the qualifying activity.
- (4) The question whether the provision of the plant or machinery is to be treated as wholly or only partly for the purposes of the qualifying activity is to be determined according to whether the use referred to in subsection (1)(b) is wholly or only partly for those purposes.
- (5) This section is subject to section 161 (pre-trading expenditure on mineral exploration and access).

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 1.