



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 14

FIXTURES

Disposal values

196 Disposal values in relation to fixtures: general

- (1) The disposal value to be brought into account in relation to a fixture depends on the nature of the disposal event, as shown in the Table—

Table

Disposal values: fixtures

1. Disposal event

1. Cessation of ownership of the fixture under section 188 because of a sale of the qualifying interest except where item 2 applies.

2. Cessation of ownership of the fixture under section 188 because of a sale of the qualifying interest where—

2. Disposal value

The part of the sale price that—
(a) falls to be treated for the purposes of this Part as expenditure incurred by the purchaser on the provision of the fixture, or
(b) would fall to be so treated if the purchaser were entitled to an allowance.

The part of the price that would be treated for the purposes of this Part as

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| <ul style="list-style-type: none"> (a) the sale is at less than market value, and (b) the condition in subsection (2) is met by the purchaser. | <p>expenditure by the purchaser on the provision of the fixture if—</p> <ul style="list-style-type: none"> (a) the qualifying interest were sold at market value, (b) that sale took place immediately before the event which causes the former owner to be treated as ceasing to be the owner of the fixture, and (c) that event were disregarded in determining that market value. |
| <p>3. Cessation of ownership of the fixture under section 188 where—</p> <ul style="list-style-type: none"> (a) neither item 1 nor 2 applies, but (b) the qualifying interest continues in existence after that time or would so continue but for its becoming merged in another interest. | <p>The disposal value given for item 2.</p> |
| <p>4. Cessation of ownership of the fixture under section 188 because of the expiry of the qualifying interest.</p> | <p>If the person receives a capital sum, by way of compensation or otherwise, by reference to the fixture, the amount of the capital sum.
In any other case, nil.</p> |
| <p>5. Cessation of ownership of the fixture under section 190 because the lessee has become the owner under section 183.</p> | <p>The part of the capital sum given by the lessee for the lease referred to in section 183 that falls to be treated for the purposes of this Part as the lessee's expenditure on the provision of the fixture.</p> |
| <p>6. Cessation of ownership of the fixture under section 191 (severance).</p> | <p>The market value of the fixture at the time of the severance.</p> |
| <p>7. Cessation of ownership of the fixture because section 192(2)(a) (assignment of rights) applies.</p> | <p>The consideration given by the assignee for the assignment.</p> |
| <p>8. Cessation of ownership of the fixture because section 192(2)(b) (discharge of equipment lessee's obligations) applies on the payment of a capital sum.</p> | <p>The capital sum paid to discharge the financial obligations of the equipment lessee.</p> |
| <p>[^{F1}8A. Cessation of ownership of the fixture because section 192A(2)(a) (assignment of rights) applies.</p> | <p>The consideration given by the assignee for the assignment.</p> |
| <p>8B. Cessation of ownership of the fixture because section 192A(2)(b) (discharge of client's obligations) applies on the payment of a capital sum.</p> | <p>The capital sum paid to discharge the financial obligations of the client.]</p> |
| <p>9. Permanent discontinuance of the qualifying activity followed by the sale of the qualifying interest.</p> | <p>The part of the sale price that—</p> |

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| | (a) falls to be treated as expenditure incurred by the purchaser on the provision of the fixture, or |
| | (b) would fall to be so treated if the purchaser were entitled to an allowance. |
| 10. Permanent discontinuance of the qualifying activity followed by the demolition or destruction of the fixture. | The net amount received for the remains of the fixture, together with—
(a) any insurance money received in respect of the demolition or destruction, and
(b) any other compensation of any description so received, so far as it consists of capital sums. |
| 11. Permanent discontinuance of the qualifying activity followed by the permanent loss of the fixture otherwise than as a result of its demolition or destruction. | Any insurance money received in respect of the loss and, so far as it consists of capital sums, any other compensation of any description so received. |
| 12. The fixture begins to be used wholly or partly for purposes other than those of the qualifying activity. | The part of the price that would fall to be treated for the purposes of this Part as expenditure incurred by the purchaser on the provision of the fixture if the qualifying interest were sold at market value. |
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- (2) The condition referred to in item 2 of the Table is met by the purchaser if—
- (a) the purchaser's expenditure on the provision of the fixture cannot be qualifying expenditure under this Part or Part 6 (research and development allowances), or
 - (b) the purchaser is a dual resident investing company which is connected with the former owner.
- (3) Items 1 and 5 of the Table are subject to sections 198 and 199 (election to fix apportionment on sale of qualifying interest or grant of lease).
- (4) Section 192(3) (assignee of equipment lessee) applies in relation to item 8 of the Table.
- [^{F2}(4A) Section 192A(3)(assignee of client) applies in relation to item 8B of the Table.]
- (5) Nothing in sections 188 to [^{F3}192A] or this section prevents a disposal value having to be brought into account under Chapter 5 because of a disposal event not dealt with in these sections.
- (6) This section is subject to section 197.

Textual Amendments

- F1** S. 196(1) Table, items 8A, 8B inserted (with effect as mentioned in s. 66 of the amending Act) by [Finance Act 2001 \(c. 9\), s. 66, Sch. 18 para. 10\(2\)](#)
- F2** S. 196(4A) inserted (with effect as mentioned in s. 66 of the amending Act) by [Finance Act 2001 \(c. 9\), s. 66, Sch. 18 para. 10\(3\)](#)

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F3 Words in s. 196(5) substituted (with effect as mentioned in s. 66 of the amending Act) by **Finance Act 2001 (c. 9), s. 66, Sch. 18 para. 10(4)**

Modifications etc. (not altering text)

- C6** Pt. 2 modified (22.7.2008) by **Crossrail Act 2008 (c. 18), Sch. 13 para. 19**
- C7** Pt. 2 modified (22.7.2008) by **Crossrail Act 2008 (c. 18), Sch. 13 para. 35**
- C8** Pt. 2 modified (22.7.2008) by **Crossrail Act 2008 (c. 18), Sch. 13 paras. 36, 37**
- C13** S. 196 excluded (E.W.S.) (8.6.2005) by **Railways Act 2005 (c. 14), s. 60(2), Sch. 10 para. 14(2)(a); S.I. 2005/1444, art. 2(1), Sch. 1**
- C14** S. 196 modified (E.W.S.) (8.6.2005) by **Railways Act 2005 (c. 14), s. 60(2), Sch. 10 para. 3; S.I. 2005/1444, art. 2(1), Sch. 1**
- C15** S. 196 modified (E.W.S.) (24.7.2005) by **Railways Act 2005 (c. 14), s. 60(2), Sch. 10 para. 23; S.I. 2005/1909, art. 2, Sch.**
- C16** S. 196 modified (22.7.2008) by **Crossrail Act 2008 (c. 18), Sch. 13 para. 20(2)**
- C17** S. 196 modified (7.8.2015) by **The Housing and Regeneration Transfer Schemes (Tax Consequences) Regulations 2015 (S.I. 2015/1540), regs. 1, 8(2) (with regs. 3, 8(1)(6))**

197 Disposal values in avoidance cases

- (1) This section applies if—
- (a) a person (“the taxpayer”) is treated under this Chapter as the owner of any plant or machinery as a result of incurring any expenditure,
 - (b) any disposal event occurs in relation to the plant or machinery,
 - (c) the disposal value to be brought into account by the taxpayer would (but for this section) be less than the notional written-down value of the plant or machinery, and
 - (d) the disposal event is part of, or occurs as a result of, a scheme or arrangement the main purpose or one of the main purposes of which is the obtaining by the taxpayer of a tax advantage under this Part.
- (2) The disposal value that the taxpayer must bring into account is the notional written-down value of the plant or machinery.
- (3) The notional written-down value is—

$$QE - A$$

where—

QE is the taxpayer’s expenditure on the plant or machinery that is qualifying expenditure,

A is the total of all allowances which could have been made to the taxpayer in respect of that expenditure if—

- (a) that expenditure had been the only expenditure that had ever been taken into account in determining his available qualifying expenditure, and
- (b) all allowances had been made in full.

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