



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 5

ALLOWANCES AND CHARGES

^{F1}Annual investment allowance

Textual Amendments

- F1** Ss. 51A-51N and cross-heading inserted (with effect in accordance with Sch. 24 para. 23 to the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 3](#)

51A Entitlement to annual investment allowance

- (1) A person is entitled to an allowance (an “annual investment allowance”) in respect of AIA qualifying expenditure if—
 - (a) the expenditure is incurred in a chargeable period to which this Act applies, and
 - (b) the person owns the plant and machinery at some time during that chargeable period.
- (2) Any annual investment allowance is made for the chargeable period in which the AIA qualifying expenditure is incurred.
- (3) If the AIA qualifying expenditure incurred in a chargeable period is less than or equal to the maximum allowance, the person is entitled to an annual investment allowance in respect of all the AIA qualifying expenditure.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

- (4) If the AIA qualifying expenditure incurred in a chargeable period is more than the maximum allowance, the person is entitled to an annual investment allowance in respect of so much of the AIA qualifying expenditure as does not exceed the maximum allowance.
- (5) The maximum allowance is [^{F2}£1,000,000].
- (6) But if the chargeable period is more or less than a year, the maximum allowance is proportionately increased or reduced.
- (7) A person may claim an annual investment allowance in respect of all the AIA qualifying expenditure in respect of which the person is entitled to an allowance, or in respect of only some of it.
- (8) The Treasury may by order substitute for the amount for the time being specified in subsection (5) such [^{F3}greater] amount as it thinks fit.
- (9) An order under subsection (8) may make such incidental, supplemental, consequential and transitional provision as the Treasury thinks fit.
- (10) This section is subject to—
- (a) sections 51B to 51N (restrictions on entitlement to annual investment allowance),
 [^{F4}section 70DA(2) (transfer and long funding leaseback: no annual investment allowance for lessee),]
 - (b) section 205 (reduction of allowance if plant or machinery provided partly for purposes other than those of qualifying activity),
 - (c) section 210 (reduction of allowance if it appears that a partial depreciation subsidy is or will be payable), and
 - (d) sections 217, 218A [^{F5}, 229A(2)] and 241 (anti-avoidance: no allowance in certain cases),
- and needs to be read with section 236 (additional VAT liabilities).

Textual Amendments

- F2** Sum in s. 51A(5) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 8\(2\)\(a\)](#)
- F3** Word in s. 51A(8) substituted (with effect in accordance with s. 11(5)-(13) of the amending Act) by [Finance Act 2011 \(c. 11\), s. 11\(3\)](#)
- F4** Words in s. 51A(10) inserted (as an unnumbered paragraph) (with effect in accordance with Sch. 32 para. 17 to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 32 para. 12](#)
- F5** Word in s. 51A(10) inserted (with effect in accordance with Sch. 32 para. 22 to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 32 para. 18](#)

Modifications etc. (not altering text)

- C12** Pt. 2 modified (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 7](#)
- C15** S. 51A(5) modified (temp.) (17.7.2013) by [Finance Act 2013 \(c. 29\), s. 7, Sch. 1](#)
- C16** S. 51A(5) modified (temp.) (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 10, Sch. 2](#)
- C17** S. 51A(5) modified (temp.) (12.2.2019) by [Finance Act 2019 \(c. 1\), s. 32, Sch. 13](#) (as amended by [Finance Act 2021 \(c. 26\), s. 15\(1\)](#))

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

51B First restriction: companies

- (1) A company is entitled to a single annual investment allowance in respect of all the qualifying activities carried on by the company in a chargeable period.
- (2) The company may allocate the annual investment allowance to the relevant AIA qualifying expenditure as it thinks fit.
- (3) The relevant AIA qualifying expenditure is the AIA qualifying expenditure incurred by the company in the chargeable period mentioned in subsection (1).
- (4) This section is subject to sections 51C, 51D and 51E.

51C Second restriction: groups of companies

- (1) This section applies in relation to—
 - (a) a company which, in a financial year, is a parent undertaking of one or more other companies, and
 - (b) those other companies.
- (2) The companies are entitled to a single annual investment allowance between them in respect of the relevant AIA qualifying expenditure.
- (3) The companies may allocate the annual investment allowance to the relevant AIA qualifying expenditure as they think fit.
- (4) The relevant AIA qualifying expenditure is the AIA qualifying expenditure incurred by the companies in chargeable periods ending in the financial year mentioned in subsection (1).
- (5) A company (“P”) is a parent undertaking of another company (“C”) in a financial year if P is a parent undertaking of C at the end of C's chargeable period ending in that financial year.
- (6) In this section “parent undertaking” has the same meaning as in section 1162 of the Companies Act 2006.
- (7) This section is subject to section 51D.

51D Third restriction: groups of companies under common control

- (1) Where in a financial year two or more groups of companies are—
 - (a) controlled by the same person (see section 51F), and
 - (b) related to one another (see section 51G),this section applies in relation to the companies which are members of those groups.
- (2) The companies are entitled to a single annual investment allowance between them in respect of the relevant AIA qualifying expenditure.
- (3) The companies may allocate the annual investment allowance to the relevant AIA qualifying expenditure as they think fit.
- (4) The relevant AIA qualifying expenditure is the AIA qualifying expenditure incurred by the companies in chargeable periods ending in the financial year mentioned in subsection (1).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

- (5) In this section and in sections 51F and 51G, a group of companies means—
- (a) a company which, in the financial year mentioned in subsection (1), is a parent undertaking of one or more other companies, and
 - (b) those other companies,
- (and the members of the group are the company which is the parent undertaking and those other companies).
- (6) A company (“P”) is a parent undertaking of another company (“C”) in a financial year if P is a parent undertaking of C at the end of C's chargeable period ending in that financial year.
- (7) In this section “parent undertaking” has the same meaning as in section 1162 of the Companies Act 2006.

51E Fourth restriction: other companies under common control

- (1) This section applies in relation to two or more companies which in a financial year are—
- (a) controlled by the same person (see section 51F), and
 - (b) related to one another (see section 51G),
- and in relation to which to neither section 51C nor section 51D applies.
- (2) The companies are entitled to a single annual investment allowance between them in respect of the relevant AIA qualifying expenditure.
- (3) The companies may allocate the annual investment allowance to the relevant AIA qualifying expenditure as they think fit.
- (4) The relevant AIA qualifying expenditure is the AIA qualifying expenditure incurred by the companies in chargeable periods ending in the financial year mentioned in subsection (1).

51F Companies and groups: meaning of “control”

- (1) A company is controlled by a person in a financial year if it is controlled by that person at the end of its chargeable period ending in that financial year.
- (2) A group of companies is controlled by a person in a financial year if the company which is the parent undertaking is controlled by that person at the end of its chargeable period ending in that financial year.
- (3) Section 574(2) defines “control” in relation to a company which is a body corporate.
- (4) In relation to a company (“C”) which is not a body corporate, control means the power of a person (“P”) to secure—
- (a) by means of the holding of shares or the possession of voting power in relation to C or another body, or
 - (b) as a result of any powers conferred by the constitution of C or another body, that the affairs of C are conducted in accordance with P's wishes.
- (5) In subsection (4) “shares” has the meaning given by section 1161(2) of the Companies Act 2006.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

51G Companies and groups: meaning of “related”

- (1) A company (“C1”) is related to another company (“C2”) in a financial year if one or both of—
 - (a) the shared premises condition, and
 - (b) the similar activities condition,are met in relation to the companies in that financial year.
- (2) Where C1 is related to C2 in a financial year, C1 is also related to any other company to which C2 is related in that financial year.
- (3) A group of companies (“G1”) is related to another group of companies (“G2”) in a financial year if in that financial year a company which is a member of G1 is related to a company which is a member of G2.
- (4) Where G1 is related to G2 in a financial year, G1 is also related to any other group of companies to which G2 is related in that financial year.
- (5) The shared premises condition is met in relation to two companies in a financial year if, at the end of the relevant chargeable period of one or both of the companies, the companies carry on qualifying activities from the same premises.
- (6) The similar activities condition is met in relation to two companies in a financial year if—
 - (a) more than 50% of the turnover of one company for the relevant chargeable period is derived from qualifying activities within a particular NACE classification, and
 - (b) more than 50% of the turnover of the other company for the relevant chargeable period is derived from qualifying activities within that NACE classification.
- (7) In this section—

“NACE classification” means the first level of the common statistical classification of economic activities in the European Union established by Regulation (EC) No 1893/2006 of the European Parliament and the Council of 20 December 2006 (as that Regulation has effect [^{F6}in EU law]), and

“relevant chargeable period”, in relation to a company and a financial year, means the chargeable period of the company ending in that financial year.

Textual Amendments

F6 Words in s. 51G(7) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/689), regs. 1, **10(2)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

51H Fifth restriction: qualifying activities under common control

- (1) This section applies in relation to two or more qualifying activities which, in a tax year—
 - (a) are carried on by a qualifying person other than a company,
 - (b) are controlled by the same person (see section 51I), and
 - (c) are related to one another (see section 51J).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

- (2) A qualifying activity is carried on by a qualifying person in a tax year if it is carried on by the person at the end of the chargeable period for the activity ending in the tax year.
- (3) Where all the qualifying activities are carried on by one qualifying person, that person is entitled to a single annual investment allowance in respect of the relevant AIA qualifying expenditure.
- (4) Where the qualifying activities are carried on by more than one qualifying person, those persons are entitled to a single annual investment allowance between them in respect of the relevant AIA qualifying expenditure.
- (5) The person or persons carrying on the qualifying activities may allocate the annual investment allowance to the relevant AIA qualifying expenditure as the person or persons think fit.
- (6) The relevant AIA qualifying expenditure is the AIA qualifying expenditure incurred for the purposes of the qualifying activities in the chargeable periods for those activities ending in the tax year mentioned in subsection (1).

51I Qualifying activities: meaning of control

- (1) A qualifying activity is controlled by a person in a tax year if it is controlled by the person at the end of the chargeable period for that activity which ends in that tax year.
- (2) A qualifying activity carried on by an individual is controlled by the individual who carries it on.
- (3) A qualifying activity carried on by a partnership is controlled by the person (if any) who controls the partnership.
- (4) Section 574(3) defines “control” in relation to a partnership.
- (5) Where partners who between them control one partnership also between them control another partnership, the qualifying activities carried on by the partnerships are to be treated as controlled by the same person.

51J Qualifying activity: meaning of “related”

- (1) A qualifying activity (“A1”) is related to another qualifying activity (“A2”) in a tax year if one or both of—
 - (a) the shared premises condition, and
 - (b) the similar activities condition,
 are met in relation to the activities in the tax year.
- (2) Where A1 is related to A2 in a tax year, A1 is also related to any other qualifying activity to which A2 is related in that tax year.
- (3) The shared premises condition is met in relation to two qualifying activities in a tax year if, at the end of the relevant chargeable period for one or both of the activities, the activities are carried on from the same premises.
- (4) The similar activities condition is met in relation to two qualifying activities in a tax year if, at the end of the relevant chargeable period for one or both of the activities, the activities are within the same NACE classification.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

(5) In this section—

“NACE classification” has the same meaning as in section 51G, and
“relevant chargeable period”, in relation to a qualifying activity and a tax year, means the chargeable period for that activity ending in that tax year.

Sixth restriction: allocation where profits chargeable at NI rate

51JA

(1) This section applies if—

- (a) section 51B, 51C, 51D or 51E applies, and
- (b) the relevant AIA qualifying expenditure for the purposes of the section in question includes expenditure incurred in a low-rate year in respect of an NI rate activity.

(2) For the purposes of this section expenditure is “incurred in a low-rate year” if it is incurred in a financial year for which the Northern Ireland rate is lower than the main rate.

(3) The maximum annual investment allowance that may be allocated under section 51B, 51C, 51D or 51E to AIA qualifying expenditure incurred in a low-rate year in respect of qualifying activities other than NI rate activities is determined by the formula—

$$A \times \frac{T - NI}{T}$$

where—

A is the amount of the single annual investment allowance that would otherwise be available for allocation;

T is so much of the relevant AIA qualifying expenditure for the purposes of the section in question as is incurred in a low-rate year;

NI is so much of the relevant AIA qualifying expenditure for the purposes of the section in question as is expenditure incurred in a low-rate year in respect of an NI rate activity.]

Textual Amendments

F7 S. 51JA inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 5](#)

51K Operation of annual investment allowance where restrictions apply

(1) This section applies where because of section 51B, 51C, 51D, 51E or 51H a person is (or persons between them are) entitled to a single annual investment allowance in respect of relevant AIA qualifying expenditure.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

- (2) If the relevant AIA qualifying expenditure is less than or equal to the maximum allowance, the person is (or the persons between them are) entitled to an annual investment allowance in respect of all the relevant AIA qualifying expenditure.
- (3) If the relevant AIA qualifying expenditure is more than the maximum allowance, the person is (or the persons between them are) entitled to an annual investment allowance in respect of so much of the relevant AIA qualifying expenditure as does not exceed the maximum allowance.
- (4) The maximum allowance is the amount for the time being specified in section 51A(5); but this is subject to sections 51M and 51N (which provide that in certain cases an additional amount of annual investment allowance may be available).
- (5) The person or persons may claim an annual investment allowance in respect of all the relevant AIA qualifying expenditure in respect of which the person is (or the persons between them are) entitled to an allowance, or in respect of only some of it.
- (6) The amount of the annual investment allowance allocated to relevant AIA qualifying expenditure incurred in a chargeable period must not exceed the amount of the annual investment allowance to which a person would be entitled in respect of that expenditure under section 51A(5) and (6) if section 51B, 51C, 51D, 51E or 51H did not apply.

51L Special provision for short chargeable periods

- (1) This section applies where—
 - (a) more than one chargeable period of a company ends in a financial year, or
 - (b) more than one chargeable period for a qualifying activity ends in a tax year.
- (2) Whether section 51C, 51D or 51E applies in relation to the company, or section 51H applies in relation to the qualifying activity, is to be determined in relation to each chargeable period ending in that year as if it were the only chargeable period ending in that year.
- (3) AIA qualifying expenditure incurred in a chargeable period in relation to which the section in question does not apply is not relevant AIA qualifying expenditure for the purposes of that section.

51M Special provision for long chargeable periods

- (1) This section applies where—
 - (a) section 51H applies in relation to two or more qualifying activities controlled by a person (“P”) in a tax year, and
 - (b) the relevant chargeable period for one of those qualifying activities (“A1”) is longer than a year.
- (2) An additional amount of annual investment allowance may be allocated to relevant AIA qualifying expenditure incurred for the purposes of A1.
- (3) That additional amount is the amount, or the aggregate of the amounts, of any relevant unused allowance for each tax year (a “previous tax year”)—
 - (a) which falls before the tax year mentioned in subsection (1)(a), and
 - (b) in which part of A1's relevant chargeable period falls.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Annual investment allowance. (See end of Document for details)

- (4) The amount of the relevant unused allowance for a previous tax year is (subject to subsections (7) and(8))—

$$MA - AM$$

but where the amount given by that formula is less than nil, the amount of the relevant unused allowance for the previous tax year is nil.

- (5) In subsection (4)—

MA is the amount specified in section 51A(5) in relation to the previous tax year, and

AM is the amount of any annual investment allowance made under section 51A or 51K in respect of AIA qualifying expenditure incurred for the purposes of a relevant qualifying activity in the chargeable period for that activity ending in the previous tax year.

- (6) “Relevant qualifying activity” means—

- (a) any qualifying activity carried on by a qualifying person other than a company which was controlled by P in the previous tax year (see section 51I) and related to A1 in that tax year (see section 51J), and
- (b) if A1 was controlled by P in the previous tax year (see section 51I), A1.

- (7) Where any part of the amount calculated under subsection (4) has, on a previous application of this section, been allocated to AIA qualifying expenditure incurred for the purposes of a qualifying activity controlled by P in a tax year before that mentioned in subsection (1)(a), the amount of the relevant unused allowance is reduced accordingly.

- (8) Where the amount of the relevant unused allowance for a previous tax year would (apart from this subsection) exceed—

$$\frac{DCPY}{DY} \times MA$$

the amount of the relevant unused allowance for that tax year is limited to the amount given by that formula.

- (9) In subsection (8)—

DCPY is the number of days in A1's relevant chargeable period falling in the previous tax year,

DY is the number of days in that tax year, and

MA has the meaning given by subsection (5).

- (10) Nothing in this section prevents section 51K(6) applying in relation to relevant AIA qualifying expenditure incurred for the purposes of A1.

- (11) In this section references to a relevant chargeable period, in relation to a qualifying activity, are to the chargeable period for that activity ending in the tax year mentioned in subsection (1)(a).

51N Special provision for long chargeable periods: supplementary

- (1) This section applies where—

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- (a) section 51H applies in relation to two or more qualifying activities controlled by a person (“P”) in a tax year, and
 - (b) the relevant chargeable period for more than one of those qualifying activities is longer than a year.
- (2) Section 51M applies in relation to each of the qualifying activities mentioned in subsection (1)(b) and the tax year mentioned in subsection (1)(a), as it applies in relation to A1 and the tax year mentioned in subsection (1)(a) of that section.
- (3) But where two or more of the qualifying activities mentioned in subsection (1)(b) were related in a previous tax year, section 51M applies with the following modifications.
- (4) The amount of any relevant unused allowance for that tax year is to be calculated under section 51M(4) to (7) (without regard to section 51M(8)).
- (5) For that purpose section 51M(6) applies as if the references to A1 were references to any of the qualifying activities mentioned in subsection (1)(b).
- (6) The amount of the relevant unused allowance may be allocated between those activities, but this is subject to subsection (7).
- (7) The amount of the relevant unused allowance allocated to any one of those activities may not exceed the amount given by the formula in section 51M(8).]

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross
Heading: Annual investment allowance.