



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 5

ALLOWANCES AND CHARGES

Modifications etc. (not altering text)

- C3** Pt. 2 restricted (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), Sch. 9 paras. 10, 22 (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), Sch. 1
- C4** Pt. 2 modified (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), Sch. 9 paras. 9(2), 21(2) (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), [Sch. 1](#)
- C5** Pt. 2 restricted (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 4 para. 4](#); [S.I. 2004/2575](#), art. 2(1), Sch. 1
- C10** Pt. 2 modified (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 73\(7\)-\(11\)](#) (with s. 73(6))
- C12** [Pt. 2](#) modified (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [s. 7](#)
- C13** Pt. 2 modified (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 9 para. 21\(2\)](#) (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), Sch. 1
- C14** Pt. 2 restricted (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 9 para. 10](#) (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), Sch. 1

[^{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](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

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.
- (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\(3\)](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- 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)

- 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\(1\)](#))

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

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- (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).
- (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.

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- (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.

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.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

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).
- (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—

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- (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.
- (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—

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

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.]

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

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.
- (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—

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (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.
- (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

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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—
 - (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).]

First-year allowances

52 First-year allowances

- (1) A person is entitled to a first-year allowance in respect of first-year qualifying expenditure if—
 - (a) the expenditure is incurred in a chargeable period to which this Act applies, and
 - (b) the person owns the plant or machinery at some time during that chargeable period.
- (2) Any first-year allowance is made for the chargeable period in which the first-year qualifying expenditure is incurred.
- (3) The amount of the allowance is a percentage of the first-year qualifying expenditure in respect of which the allowance is made, as shown in the Table—

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Table

Amount of first-year allowances

<i>Type of first-year qualifying expenditure</i>	<i>Amount</i>
F8	F8
.
F9	F9
.
F8	F8
.
F10	F10
.
[^{F11} Expenditure qualifying under section 45D (expenditure on cars with low CO ₂ emissions)]	100%]
[^{F12} Expenditure qualifying under section 45DA (expenditure on zero-emission goods vehicles)]	100%]
[^{F13} Expenditure qualifying under section 45E (expenditure on plant or machinery for gas refuelling station)]	100%]
[^{F14} Expenditure qualifying under section 45EA (expenditure on plant or machinery for electric vehicle charging point)]	100%]
[^{F15} Expenditure qualifying under section 45F (expenditure for use wholly in a ring fence trade)]	100%]
F16	F16
.
[^{F17} Expenditure qualifying under section 45K (expenditure on plant and machinery for use in designated assisted areas)]	100%]
[^{F18} Expenditure qualifying under section 45O (expenditure on plant and machinery for use in [^{F19} special tax sites])]	100%]

F20
...

[^{F21}(3A) Subsection (3B) applies where the Treasury make regulations under section 45EA(4) (power to extend relevant period).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (3B) The regulations may amend the amount specified in column 2 of the Table in subsection (3) for expenditure qualifying under section 45EA, but only in relation to expenditure incurred after the date on which the relevant period would have ended but for the regulations.]
- (4) A person who is entitled to a first-year allowance may claim the allowance in respect of the whole or a part of the first-year qualifying expenditure.
- (5) Subsection (1) needs to be read with section 236 (first-year allowances in respect of additional VAT liabilities) and is subject to—
- [^{F22}section 70DA(2) (transfer and long funding leaseback: no first-year allowance for lessee),]
- section 205 (reduction of first-year allowance if plant or machinery provided partly for purposes other than those of qualifying activity),
- section 210 (reduction of first-year allowance if it appears that a partial depreciation subsidy is or will be payable), ^{F23}...
- [^{F24}section 212T (cap on first-year allowances: zero-emission goods vehicles), ^{F25}...]
- [^{F26}section 212U (cap on first-year allowances: expenditure on plant and machinery for use in designated assisted areas), and]
- sections 217[^{F27}, 229A(2)]^{F28}... and 241 (anti-avoidance: no first-year allowance in certain cases).

Textual Amendments

- F8** S. 52(3) entries omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 76\(5\)\(d\)](#) (with [s. 76\(7\)\(8\)](#))
- F9** S. 52(3) entry omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 75\(3\)\(d\)\(i\)](#)
- F10** Words in s. 52(3) omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [s. 33\(2\)\(b\)\(v\)\(a\)](#)
- F11** S. 52(3): words in Table added (with effect as mentioned in [s. 59](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [s. 59](#), [Sch. 19 para. 5](#)
- F12** Words in s. 52(3) Table inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 7 para. 5\(2\)](#)
- F13** S. 52(3): words in Table added (with effect as mentioned in [s. 61](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [s. 61](#), [Sch. 20 para. 5](#)
- F14** Words in s. 52(3) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 38\(5\)\(a\)](#)
- F15** Words in s. 52(3) substituted (with effect in accordance with s. 108(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [s. 108\(1\)](#)
- F16** Words in s. 52(3) omitted (with effect in accordance with s. 33(5) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [s. 33\(2\)\(b\)\(v\)\(b\)](#)
- F17** Words in s. 52(3) inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 11 para. 5\(2\)](#)
- F18** Words in s. 52(3) inserted (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 22 para. 5](#)
- F19** Words in s. 52(3) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 23 para. 11\(d\)](#)
- F20** Words in s. 52(3) omitted (with effect in accordance with s. 75(5)-(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 75\(3\)\(d\)\(ii\)](#)
- F21** S. 52(3A)(3B) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 38\(5\)\(b\)](#)
- F22** Words in s. 52(5) inserted (with effect in accordance with Sch. 32 para. 17 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 13](#)
- F23** Word in s. 52(5) omitted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by virtue of [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 7 para. 5\(3\)\(a\)](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- F24** Words in s. 52(5) inserted (with effect in accordance with Sch. 7 para. 7 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), **Sch. 7 para. 5(3)(b)**
- F25** Word in s. 52(5) omitted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 11 para. 5(3)(a)**
- F26** S. 52(5) entry inserted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 11 para. 5(3)(b)**
- F27** Word in s. 52(5) inserted (with effect in accordance with Sch. 32 para. 22 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 19**
- F28** Words in s. 52(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(3)**

Modifications etc. (not altering text)

- C18** S. 52(3) modified (temp.) (with effect in accordance with s. 30(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **s. 30(1)**

[^{F29}Prevention of double relief]

Textual Amendments

- F29** S. 52A and cross-heading inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 24 para. 4**

52A Prevention of double relief

A person may not [^{F30}claim—]

- [^{F30}(a) an annual investment allowance and a first-year allowance in respect of the same expenditure, or
- (b) first-year allowances under two or more of the provisions listed in section 39 in respect of the same expenditure.]

Textual Amendments

- F30** Words in s. 52A substituted (with effect in accordance with Sch. 11 para. 8 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 11 para. 6**

Pooling

53 Pooling of qualifying expenditure

- (1) Qualifying expenditure has to be pooled for the purpose of determining a person's entitlement to writing-down allowances and balancing allowances and liability to balancing charges.
- (2) If a person carries on more than one qualifying activity, expenditure relating to the different activities must not be allocated to the same pool.

54 The different kinds of pools

- (1) There are single asset pools, class pools and the main pool.

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- (2) A single asset pool may not contain expenditure relating to more than one asset.
- (3) The following provide for qualifying expenditure to be allocated to a single asset pool—
 - ^{F31} ;
 - section 86 (short-life asset);
 - section 127 (ship);
 - section 206 (plant or machinery provided or used partly for purposes other than those of qualifying activity);
 - section 211 (payment of partial depreciation subsidy);
 - section 538 (contribution allowances: plant and machinery).
- (4) A class pool is a pool which may contain expenditure relating to more than one asset.
- (5) The following provide for qualifying expenditure to be allocated to a class pool—
 - [^{F32}section 104C (special rate expenditure);]
 - section 107 (overseas leasing).
- (6) Qualifying expenditure may be allocated to the main pool only if it does not fall to be allocated to a single asset pool or a class pool.

Textual Amendments

- F31** Words in s. 54(3) omitted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1), 29(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 11 para. 15](#) (with [Sch. 11 paras. 30-32](#))
- F32** Words in s. 54(5) substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 26 para. 3](#)

Writing-down and balancing allowances and balancing charges

55 Determination of entitlement or liability

- (1) Whether a person is entitled to a writing-down allowance or a balancing allowance, or liable to a balancing charge, for a chargeable period is determined separately for each pool of qualifying expenditure and depends on—
 - (a) the available qualifying expenditure in that pool for that period (“AQE”), and
 - (b) the total of any disposal receipts to be brought into account in that pool for that period (“TDR”).
- (2) If AQE exceeds TDR, the person is entitled to a writing-down allowance or a balancing allowance for the period.
- (3) If TDR exceeds AQE, the person is liable to a balancing charge for the period.
- (4) The entitlement under subsection (2) is to a writing-down allowance except for the final chargeable period when it is to a balancing allowance.
- (5) The final chargeable period is given by section 65.
- (6) Subsection (2) is subject to [^{F33}section 104F (special rate cars: discontinued activity continued by relevant company) and] section 110(1) (overseas leasing: allowances prohibited in certain cases).

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Textual Amendments

- F33** Words in s. 55(6) inserted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 16** (with [Sch. 11 paras. 30-32](#))

56 Amount of allowances and charges

- (1) The amount of the writing-down allowance to which a person is entitled for a chargeable period is [^{F34}18%] of the amount by which AQE exceeds TDR.
- [^{F35}(1A) But in relation to qualifying expenditure incurred wholly for the purposes of a ring fence trade in respect of which tax is chargeable under [^{F36}section 330(1) of CTA 2010] (supplementary charge in respect of ring fence trades), the amount of the writing-down allowance to which a person is entitled for a chargeable period is 25% of the amount by which AQE exceeds TDR.]
- (2) [^{F37}Subsections (1) and (1A) are] subject to—
 - [^{F38}(za) section 56A (small main pools and special rate pools),]
 - [^{F39}(a) section 104D (special rate expenditure: [^{F40}[^{F41}6%] or] 10%), and]
 - (b) section 109 (overseas leasing: 10%).
- (3) If the chargeable period is more or less than a year, the amount is proportionately increased or reduced.
- (4) If the qualifying activity has been carried on for part only of the chargeable period, the amount is proportionately reduced.
- (5) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.
- (6) The amount of the balancing charge to which a person is liable for a chargeable period is the amount by which TDR exceeds AQE.
- (7) The amount of the balancing allowance to which a person is entitled for the final chargeable period is the amount by which AQE exceeds TDR.

Textual Amendments

- F34** Word in s. 56(1) substituted (with effect in accordance with s. 10(8)-(13) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **s. 10(2)**
- F35** S. 56(1A) inserted (with effect in accordance with s. 80(8)-(12) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 80(3)**
- F36** Words in s. 56(1A) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 326** (with [Sch. 2](#))
- F37** Words in s. 56(2) substituted (with effect in accordance with s. 80(8) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 80(4)**
- F38** S. 56(2)(za) inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 81(2)**
- F39** S. 56(2)(a) substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 26 para. 4**
- F40** Words in s. 56(2)(a) inserted (with effect in accordance with s. 10(8)-(13) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **s. 10(4)(b)**

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F41 Word in s. 56(2)(a) substituted (with effect in accordance with s. 31(4)(8) of the amending Act) by [Finance Act 2019 \(c. 1\), s. 31\(3\)\(a\)](#)

[^{F42}56A Writing-down allowances for small pools

- (1) This section applies in relation to the main pool and the special rate pool.
- (2) Where the amount by which AQE exceeds TDR is less than or equal to the small pool limit, the amount of the writing-down allowance to which a person is entitled for a chargeable period is the amount by which AQE exceeds TDR.
- (3) The small pool limit is £1,000, except that—
 - (a) if the chargeable period is more or less than a year, it is proportionately increased or reduced, and
 - (b) if the qualifying activity has been carried on for part only of the chargeable period, it is proportionately reduced.
- (4) A person claiming a writing-down allowance under this section may require the allowance to be reduced to a specified amount.
- (5) The Treasury may by order substitute for the amount for the time being specified in subsection (3) such other amount as it thinks fit.
- (6) An order under subsection (5) may make such incidental, supplemental, consequential and transitional provision as the Treasury thinks fit.]

Textual Amendments

F42 S. 56A inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 81\(3\)](#)

Available qualifying expenditure

57 Available qualifying expenditure

- (1) The general rule is that a person's available qualifying expenditure in a pool for a chargeable period consists of—
 - (a) any qualifying expenditure allocated to the pool for that period in accordance with section 58, and
 - (b) any unrelieved qualifying expenditure carried forward in the pool from the previous chargeable period under section 59.
- (2) A person's available qualifying expenditure in a pool for a chargeable period also includes any amount allocated to the pool for that period under—
 - section 26(3) (net costs of demolition);
 - section 86(2) or 87(2) (allocation of expenditure in short-life asset pool);
 - section 111(3) (overseas leasing: standard recovery mechanism);
 - section 129(1), 132(2), 133(3) or 137 (provisions relating to operation of single ship pool and deferment of balancing charges in respect of ships);
 - [^{F43}section 161C(2)(decommissioning expenditure incurred by person carrying on trade of oil extraction);]

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section 165(3) ([^{F44}general decommissioning expenditure] incurred after cessation of ring fence trade);
section 206(3) (plant or machinery used partly for purposes other than those of the qualifying activity);
section 211(4) (partial depreciation subsidy paid).

(3) A person's available qualifying expenditure does not include any expenditure excluded by—

section 8(4) or 9(1) (rules against double relief);
[^{F45}section 70DA (transfer and long funding leaseback);]
[^{F46}sections 165A to 165E (restrictions on allowances: anti-avoidance);]
section 166(2) (transfers of interests in oil fields: anti-avoidance);
section 185(2), 186(2)[^{F47}, 186A(2)] or 187(2) (restrictions where other claims made in respect of fixture);
section 218(1), [^{F48}218ZA(1) or (3),]^{F49}... 228(2)[^{F50}, 229A], 242(2), or 243(2) (general anti-avoidance provisions).

(4) Subsection (1) is also subject to section 220 (allocation to chargeable periods of expenditure incurred on plant or machinery for leasing under finance lease).

Textual Amendments

- F43** Words in s. 57(2) inserted (with effect as mentioned in Sch. 20 para. 9(1)-(4)(8) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), s. 68, **Sch. 20 para. 5(2)**
- F44** Words in s. 57(2) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 34 para. 4**
- F45** Words in s. 57(3) inserted (with effect in accordance with Sch. 32 para. 17 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 14**
- F46** Words in s. 57(3) inserted (with effect in accordance with Sch. 32 para. 8 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 32 para. 4**
- F47** Words in s. 57(3) inserted (with effect in accordance with Sch. 10 para. 12 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 10 para. 8**
- F48** Words in s. 57(3) inserted (with effect in accordance with Sch. 9 para. 9(1)(3) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 9 para. 2**
- F49** Word in s. 57(3) 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(4)**
- F50** Words in s. 57(3) inserted (with effect in accordance with Sch. 32 para. 22 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 20**

58 Initial allocation of qualifying expenditure to pools

- (1) The following rules apply to the allocation of a person's qualifying expenditure to the appropriate pool.
- (2) An amount of qualifying expenditure is not to be allocated to a pool for a chargeable period if that amount has been taken into account in determining the person's available qualifying expenditure for an earlier chargeable period.
- (3) Qualifying expenditure is not to be allocated to a pool for a chargeable period before that in which the expenditure is incurred.

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(4) Qualifying expenditure is not to be allocated to a pool for a chargeable period unless the person owns the plant or machinery at some time in that period.

[^{F51}(4A) If an annual investment allowance is made to a person for a chargeable period—

- (a) the AIA qualifying expenditure in respect of which the allowance is made must be allocated to the appropriate pool (or pools) in that chargeable period, and
- (b) the available qualifying expenditure in a pool to which the expenditure (or some of it) is allocated is reduced by the amount of that expenditure.]

(5) If a first-year allowance is made in respect of an amount of first-year qualifying expenditure—

- (a) subject to subsection (6), none of that amount is to be allocated to a pool for the chargeable period in which the expenditure is incurred, and
- (b) the amount that may be allocated to a pool for any chargeable period is limited to the balance left after deducting the first-year allowance.

(6) If—

- (a) a first-year allowance is made in respect of an amount of first-year qualifying expenditure,
- (b) a disposal event occurs in respect of the plant or machinery in any chargeable period, and
- (c) none of the balance left after deducting the first-year allowance has been allocated to a pool for an earlier chargeable period,

the balance (or some of it) must be allocated to a pool for the chargeable period in which the disposal event occurs.

(7) Subsection (6) applies even if the balance is nil (because of a 100% first-year allowance).

(8) “The appropriate pool” means whichever pool is applicable under the provisions of this Part apart from this section.

Textual Amendments

F51 S. 58(4A) inserted (with effect in accordance with Sch. 24 para. 23 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 24 para. 5](#)

59 Unrelieved qualifying expenditure

(1) A person has unrelieved qualifying expenditure to carry forward from a chargeable period if for that period—

- [^{F52}(a)] AQE exceeds TDR [^{F53}, and
- (b) where section 56A(2) applies, the person does not claim a writing-down allowance of the amount by which AQE exceeds TDR.]

(2) The amount of the unrelieved qualifying expenditure is—

- (a) the excess less the writing-down allowance made for the period, or
- (b) if no writing-down allowance is claimed for the period, the excess.

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- (3) No amount may be carried forward as unrelieved qualifying expenditure from the final chargeable period.
- ^{F54}(4) If a person carrying on a trade, profession or vocation enters the cash basis for a tax year, ^{F55}any cash basis deductible amount may not be carried forward as unrelieved qualifying expenditure in a pool for the trade, profession or vocation] from the chargeable period ending with the basis period for the previous tax year.
- ^{F56}(4A) [If a person carrying on a property business enters the cash basis for a tax year, any cash basis deductible amount may not be carried forward as unrelieved qualifying expenditure in a pool for a relevant qualifying activity from the chargeable period which is the previous tax year.]
- ^{F57}(5)
- ^{F58}(5A) [A “cash basis deductible amount” means any amount of unrelieved qualifying expenditure for which a deduction would be allowed in calculating the profits of the trade, profession, vocation or property business (as the case may be) on the cash basis on the assumption that the expenditure was paid in the tax year for which the person enters the cash basis.]
- (6) Where a person has unrelieved qualifying expenditure to carry forward from a chargeable period that is not expenditure allocated to a single asset pool, ^{F59}any cash basis deductible amount] is to be determined on such basis as is just and reasonable in all the circumstances.
- ^{F60}(7) Subsections (9), (10) and (11) of section 1A (capital allowances and charges: cash basis) apply for the purposes of this section as they apply for the purposes of that section.]
- (7A) In subsection (4A) “relevant qualifying activity” means—
- (a) in relation to a UK property business, an ordinary UK property business and a UK furnished holiday lettings business, and
 - (b) in relation to an overseas property business, an ordinary overseas property business and an EEA furnished holiday lettings business.]
- ^{F61}(8) Subsection (9) applies if—
- (a) a person carrying on a trade, profession or vocation incurs expenditure in relation to a vehicle,
 - (b) at the end of the basis period for a tax year, the person has unrelieved qualifying expenditure incurred in relation to the vehicle to carry forward from the chargeable period ending with that basis period (“the relevant chargeable period”), ^{F62}and]
 - (c) in calculating the profits of a trade, profession or vocation of a person for the following tax year, a deduction is made under section 94D of ITTOIA 2005 in respect of expenditure incurred in relation to the vehicle, ^{F63}...
- ^{F63}(d)
- (9) None of the unrelieved qualifying expenditure incurred in relation to the vehicle may be carried forward as unrelieved qualifying expenditure from the relevant chargeable period.
- ^{F64}(9A) [Subsection (9B) applies if—

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- (a) a person carrying on a property business incurs expenditure in relation to a vehicle,
 - (b) at the end of a tax year, the person has unrelieved qualifying expenditure incurred in relation to the vehicle to carry forward from the chargeable period ending with that tax year (“the relevant chargeable period”), and
 - (c) in calculating the profits of a property business of a person for the following tax year, a deduction is made under section 94D of ITTOIA 2005 (as applied by section 271E of that Act) in respect of expenditure incurred in relation to the vehicle.
- (9B) None of the unrelieved qualifying expenditure incurred in relation to the vehicle may be carried forward as unrelieved qualifying expenditure from the relevant chargeable period.]
- (10) Where a person has unrelieved qualifying expenditure to carry forward from a chargeable period that is not expenditure allocated to a single asset pool, the amount of the unrelieved qualifying expenditure incurred in relation to the vehicle is to be determined on such basis as is just and reasonable in all the circumstances.]

Textual Amendments

- F52** Word in s. 59(1) inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 81\(4\)\(a\)](#)
- F53** Words in s. 59(1) inserted (with effect in accordance with s. 81(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 81\(4\)\(b\)](#)
- F54** S. 59(4)-(7) inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 4 para. 47](#)
- F55** Words in s. 59(4) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(2\)](#)
- F56** S. 59(4A) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(3\)](#)
- F57** S. 59(5) omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(4\)](#)
- F58** S. 59(5A) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(5\)](#)
- F59** Words in s. 59(6) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(6\)](#)
- F60** S. 59(7)(7A) substituted for s. 59(7) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 52\(7\)](#)
- F61** S. 59(8)-(10) inserted (with effect in accordance with Sch. 5 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 5 para. 5\(3\)](#)
- F62** Word in s. 59(8)(b) inserted (with effect in accordance with s. 36(7) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(6\)\(a\)\(i\)](#)
- F63** S. 59(8)(d) and preceding word omitted (with effect in accordance with s. 36(7) of the amending Act) by virtue of [Finance Act 2018 \(c. 3\), s. 36\(6\)\(a\)\(ii\)](#)
- F64** S. 59(9A)(9B) inserted (with effect in accordance with s. 36(8) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(6\)\(b\)](#)

Modifications etc. (not altering text)

- C19** S. 59(1)(2) applied by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 240C\(6\)](#) (as inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 4 para. 38](#))

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- C20** S. 59(4) excluded by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 240C\(5A\)](#) (as inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 2 para. 7\(7\)](#))

Disposal events and disposal values: general

60 Meaning of “disposal receipt” and “disposal event”

- (1) In this Part “disposal receipt” means a disposal value that a person is required to bring into account in accordance with—
- (a) sections 61, 62 and 63 (disposal events, disposal values and the general limit on the amount of a disposal value),
 - (b) any of the provisions of this Part listed in section 66, or
 - (c) [^{F65}section 614BS of ITA 2007] or [^{F66}section 918 of CTA 2010 (cases where expenditure taken into account under Part 2, 5 or 8 of this Act) or] any other enactment,
- when read with sections 64 and 264(3) (cases in which no disposal value need be brought into account).
- (2) In this Part “disposal event” means any event of a kind that requires a disposal value to be brought into account under this Part (whether under section 61(1) or otherwise).
- (3) If—
- (a) qualifying expenditure has been allocated to a pool, and
 - (b) more than one disposal event occurs in respect of the plant or machinery,
- a disposal value is required to be brought into account in the pool in connection with the first event only.
- (4) In subsection (3) “disposal event” does not include a disposal event arising under—
- section 72 (computer software),
 - sections 140 and 143 (attribution of deferred balancing charge), or
 - section 238(2) (additional VAT rebates).

Textual Amendments

- F65** Words in s. 60(1)(c) substituted (1.4.2010) (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. 8 para. 234](#) (with [Sch. 9 paras. 1-9, 22](#))
- F66** Words in s. 60(1)(c) inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 327](#) (with [Sch. 2](#))

61 Disposal events and disposal values

- (1) A person who has incurred qualifying expenditure is required to bring the disposal value of the plant or machinery into account for the chargeable period in which—
- (a) the person ceases to own the plant or machinery;
 - (b) the person loses possession of the plant or machinery in circumstances where it is reasonable to assume that the loss is permanent;

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- (c) the plant or machinery has been in use for mineral exploration and access and the person abandons it at the site where it was in use for that purpose;
 - (d) the plant or machinery ceases to exist as such (as a result of destruction, dismantling or otherwise);
 - (e) the plant or machinery begins to be used wholly or partly for purposes other than those of the qualifying activity;
 - [^{F67}(ee) the plant or machinery begins to be leased under a long funding lease (see Chapter 6A);]
 - (f) the qualifying activity is permanently discontinued.
- (2) The disposal value to be brought into account depends on the disposal event, as shown in the Table—

Table

Disposal values: general

1. Disposal event	2. Disposal value
1. Sale of the plant or machinery, except in a case where item 2 [^{F68} or 2A] applies.	The net proceeds of the sale, together with— <ul style="list-style-type: none"> (a) any insurance money received in respect of the plant or machinery as a result of an event affecting the price obtainable on the sale, and (b) any other compensation of any description so received, so far as it consists of capital sums.
2. Sale of the plant or machinery where— <ul style="list-style-type: none"> (a) the sale is at less than market value, (b) there is no charge to tax under [^{F69}ITEPA 2003], and (c) the condition in subsection (4) is met by the buyer. 	The market value of the plant or machinery at the time of the sale.
[^{F70} 2A. Sale of the plant or machinery where— <ul style="list-style-type: none"> (a) the sale is at less than market value, (b) the condition in subsection (4A) is met by the seller, and (c) the condition in subsection (4B) is met by the buyer. 	The market value of the plant or machinery at the time of the sale.]
3. Demolition or destruction of the plant or machinery.	The net amount received for the remains of the plant or machinery, together with— <ul style="list-style-type: none"> (a) any insurance money received in respect of the demolition or destruction, and

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	(b) any other compensation of any description so received, so far as it consists of capital sums.
4. Permanent loss of the plant or machinery 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.
5. Abandonment of the plant or machinery which has been in use for mineral exploration and access at the site where it was in use for that purpose.	Any insurance money received in respect of the abandonment and, so far as it consists of capital sums, any other compensation of any description so received.
[^{F71} 5A. Commencement of the term of a long funding finance lease of the plant or machinery.	The greater of— (a) the market value of the plant or machinery at the commencement of the term of the lease, and (b) the qualifying lease payments.]
[^{F72} 5B. Commencement of the term of a long funding operating lease of the plant or machinery.	An amount equal to the market value of the plant or machinery at the commencement of the term of the lease.]
6. Permanent discontinuance of the qualifying activity followed by the occurrence of an event within any of items 1 to [^{F73} 5B].	The disposal value for the item in question.
[^{F74} 6A. Disposal event to which section 62A applies.	The relevant transition value (see section 62A).]
7. Any event not falling within any of items 1 to [^{F75} 6A].	The market value of the plant or machinery at the time of the event.
<hr/>	
(3) The amounts referred to in column 2 of the Table are those received by the person required to bring the disposal value into account.	
(4) The condition referred to in item 2 of the Table is met by the buyer if—	
(a) the buyer's expenditure on the acquisition of the plant or machinery cannot be qualifying expenditure under this Part or Part 6 (research and development allowances), or	
(b) the buyer is a dual resident investing company which is connected with the seller.	
[^{F76} (4A) The condition referred to in paragraph (b) of item 2A in the Table is met by the seller if—	
(a) the seller is—	
(i) a company, or	
(ii) a partnership whose partners include one or more companies, and	
(b) before the sale the plant or machinery is used wholly or partly for the purposes of a qualifying activity that is not an NI rate activity.	

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

(4B) The condition referred to in paragraph (c) of item 2A in the Table is met by the buyer if—

- (a) the buyer is [^{F77}an SME (Northern Ireland employer) company], a NIRE company or a Northern Ireland firm in the chargeable period of the buyer in which the plant or machinery is bought,
- (b) the buyer's expenditure on the acquisition of the plant or machinery is qualifying expenditure under this Part or Part 6 (research and development allowances), and
- (c) the plant or machinery is used by the buyer wholly or partly for the purposes of an NI rate activity.]

(5) In this section “mineral exploration and access” has the same meaning as in Chapter 13 (provisions affecting the mining and oil industries) and Part 5 (mineral extraction allowances).

[^{F78}(5A) In item 5A of the Table “qualifying lease payments” means the minimum payments under the lease (including any initial payment), excluding the following—

- (a) so much of any payment as, under generally accepted accounting practice, falls (or would fall) to be treated as the gross return on investment in respect of the lease,
- (b) so much of any payment as represents charges for services, and
- (c) so much of any payment as represents qualifying UK or foreign tax (within the meaning of section 70YE) to be paid by the lessor.]

^{F79}(6)

^{F79}(7)

^{F79}(8)

^{F79}(9)

Textual Amendments

- F67** S. 61(1)(ee) inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(2\)](#)
- F68** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(2\)\(a\)](#)
- F69** Words in s. 61(2) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 6 para. 249](#) (with [Sch. 7](#))
- F70** Words in s. 61(2) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(2\)\(b\)](#)
- F71** Words in s. 61(2) substituted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(2\)](#)
- F72** Words in s. 61(2) Table inserted (with effect in accordance with Sch. 8 para. 15 to the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(3\)](#)
- F73** Word in s. 61(2) substituted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 5\(4\)](#)
- F74** S. 61 Table Item 6A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 16, 31](#)
- F75** Word in s. 61 Table Item 7 substituted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 16, 31](#)
- F76** S. 61(4A)(4B) inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 6\(3\)](#)
- F77** Words in s. 61(4B)(a) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(d\)](#)

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- F78** S. 61(5A) inserted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(3\)](#)
- F79** S. 61(6)-(9) omitted (with effect in accordance with Sch. 32 para. 5(1) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 1\(4\)](#)

Modifications etc. (not altering text)

- C21** S. 61 modified (5.10.2004) by [Energy Act 2004 \(c. 20\)](#), s. 198(2), [Sch. 9 para. 9\(4\)](#) (with s. 38(2)); [S.I. 2004/2575](#), art. 2(1), Sch. 1
- C22** S. 61 modified (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 2](#); [S.I. 2005/1444](#), art. 2(1), Sch. 1
- C23** S. 61 modified (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 22](#); [S.I. 2005/1909](#), art. 2, Sch.
- C24** S. 61(2)-(4) 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

62 General limit on amount of disposal value

- (1) The amount of any disposal value required to be brought into account by a person in respect of any plant or machinery is limited to the qualifying expenditure incurred by the person on its provision.
- (2) Subsection (3) applies if a person who is required to bring a disposal value into account has acquired the plant or machinery as a result of a transaction which was, or a series of transactions each of which was, between connected persons.
- (3) The amount of the disposal value is limited to the amount of the qualifying expenditure on the provision of the plant or machinery incurred by whichever party to the transaction, or to any of the transactions, incurred the greatest such expenditure.
- (4) This section is subject to section 239 (limit on disposal value where additional VAT rebate or rebates has or have been made in respect of original expenditure).

^{F80}62A Cases in which disposal value is transition value

- (1) Subject as follows, this section applies where an election under section 18A of CTA 2009 has effect in relation to a company and the operation of section 15(2A) brings about a disposal event consisting of plant or machinery beginning to be used for purposes other than those of a qualifying activity.
- (2) Where this section applies to a disposal event, the disposal value is the transition value.
- (3) The transition value is such amount as gives rise to neither a balancing allowance nor a balancing charge.
- (4) This section does not apply if—
 - (a) the qualifying expenditure in respect of the plant or machinery, or of the group of assets of which it forms part at any time during a relevant accounting period, exceeds £5 million, and
 - (b) the company has used the plant or machinery otherwise than for the purposes of a permanent establishment in a territory outside the United Kingdom at any time during a relevant preceding accounting period.
- (5) For the purposes of subsection (4)(a) plant or machinery used together constitutes a group of assets.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (6) In subsection (4) “relevant preceding accounting period” means the accounting period in which the election under section 18A is made or an earlier accounting period ending less than 6 years before the end of that accounting period.]

Textual Amendments

F80 S. 62A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 17, 31](#) (with [Sch. 13 para. 36](#))

63 Cases in which disposal value is nil

- (1) If a person disposes of plant or machinery by way of gift in circumstances such that there is a charge to tax under ^{F81}[ITEPA 2003], the disposal value of the plant or machinery is nil.
- (2) If a person carrying on a relevant qualifying activity makes a gift of plant or machinery used in the course of the activity—
 - (a) to a ^{F82}[charitable trust ^{F83}...],
 - ^{F84}(aa) to a charitable company ^{F85}...,
 - (ab) to a registered club within the meaning of Chapter 9 of Part 13 of CTA 2010 (community amateur sports clubs),]
 - (b) to a body listed in ^{F86}[section 468 of CTA 2010] (various heritage bodies and museums), or
 - (c) for the purposes of a designated educational establishment within the meaning of ^{F87}[section 110 of ITTOIA 2005 or]^{F88}[section 106 of CTA 2009] (gifts to educational establishments),
 the disposal value of the plant or machinery is nil.
- (3) In subsection (2) “relevant qualifying activity” means a qualifying activity consisting of—
 - (a) a trade,
 - (b) an ordinary ^{F89}[UK]^{F90}[property] business,
 - (c) a ^{F91}[UK furnished] holiday lettings business,
 - (d) an ^{F92}[ordinary overseas] property business, ^{F93}...
 - ^{F94}(da) an EEA furnished holiday lettings business, or]
 - (e) a profession or vocation.
- (4) Subsection (2) ^{F95}—
 - (a)] needs to be read with ^{F96}[section 109 of ITTOIA 2005 and]^{F97}[section 108 of CTA 2009] (which provide for a charge to tax if subsection (2) applies in circumstances in which the donor or a connected person receives a benefit attributable to the gift)^{F98}, and
 - (b) is subject to section 809ZM of ITA 2007 and section 939F of CTA 2010 (removal of tax relief in respect of tainted charity donations etc).]
- (5) If expenditure is treated under section 27(2) (expenditure on thermal insulation, safety measures, etc.) as having been incurred on plant or machinery, the disposal value of the plant or machinery is nil.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

Textual Amendments

- F81** Words in s. 63(1) substituted (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#) , s. 723 , **Sch. 6 para. 250** (with [Sch. 7](#))
- F82** Words in s. 63(2)(a) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(a)** (with [Sch. 2](#))
- F83** Words in s. 63(2)(a) omitted (with effect in accordance with art. 12 of the commencing S.I.) by virtue of [Finance Act 2010 \(c. 13\)](#), **Sch. 6 paras. 16(a)34(2)**; S.I. 2012/736, art. 12
- F84** S. 63(2)(aa)(ab) inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(b)** (with [Sch. 2](#))
- F85** Words in s. 63(2)(aa) omitted (with effect in accordance with art. 12 of the commencing S.I.) by virtue of [Finance Act 2010 \(c. 13\)](#), **Sch. 6 paras. 16(b)34(2)**; S.I. 2012/736, art. 12
- F86** Words in s. 63(2)(b) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 328(c)** (with [Sch. 2](#))
- F87** Words in s. 63(2)(c) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#) , s. 883(1) , **Sch. 1 para. 535(2)** (with [Sch. 2](#))
- F88** Words in s. 63(2)(c) 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. 482(2)** (with [Sch. 2 Pts. 1, 2](#))
- F89** Word in s. 63(3)(b) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(a)**
- F90** Word in s. 63(3)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#) , s. 883(1) , **Sch. 1 para. 535(3)** (with [Sch. 2](#))
- F91** Words in s. 63(3)(c) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(b)**
- F92** Words in s. 63(3)(d) substituted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(c)**
- F93** Word in s. 63(3)(d) omitted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(d)**
- F94** S. 63(3)(da) inserted (with effect in accordance with Sch. 14 para. 13 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 14 para. 12(10)(d)**
- F95** Words in s. 63(4) renumbered as s. 63(4)(a) (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 3 para. 4(a)**
- F96** Words in s. 63(4) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#) , s. 883(1) , **Sch. 1 para. 535(4)** (with [Sch. 2](#))
- F97** Words in s. 63(4) 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. 482(3)** (with [Sch. 2 Pts. 1, 2](#))
- F98** S. 63(4)(b) and word inserted (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 3 para. 4(b)**

Modifications etc. (not altering text)

- C25** S. 63(2) modified (with effect as mentioned in s. 58(4) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 58, **Sch. 18 para. 9(3)(c)**

64 Case in which no disposal value need be brought into account

- (1) A person is not required to bring a disposal value into account in a pool for a chargeable period in respect of plant or machinery if none of the qualifying expenditure is or has been taken into account in a claim in determining the person's available qualifying expenditure in the pool for that or any previous chargeable period.
- (2) Subsection (3) applies if—
 - (a) a person (“C”) has incurred qualifying expenditure on plant or machinery,

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (b) C acquired the plant or machinery as a result of a transaction which was, or a series of transactions each of which was, between connected persons,
 - (c) any connected person (apart from C) who was a party to the transaction, or one of the series of transactions, is or has been required to bring a disposal value into account as a result of the transaction,
 - (d) a disposal event (“the relevant disposal event”) occurs in respect of the plant or machinery at a time when it is owned by C, and
 - (e) none of C’s qualifying expenditure is or has been taken into account in a claim in determining C’s available qualifying expenditure for the chargeable period in which the relevant disposal event occurs or any previous chargeable period.
- (3) If this subsection applies—
- (a) subsection (1) does not apply in relation to the relevant disposal event, and
 - (b) C’s qualifying expenditure is to be treated as allocated to the appropriate pool for the chargeable period in which the relevant disposal event occurs.
- (4) In subsection (3)—
- (a) “qualifying expenditure” means, if a first-year allowance has been made to C, the amount (including a nil amount) remaining after deducting the allowance, and
 - (b) “the appropriate pool” means whichever pool is applicable in relation to C under the provisions of this Part.
- (5) A person takes expenditure into account in a claim if he takes it into account—
- (a) in a tax return;
 - (b) by giving notice of an amendment of a tax return;
 - (c) in any other claim under this Part.

[^{F99}64A Leased assets: arrangements reducing disposal value of asset

- (1) Where—
- (a) plant or machinery (“the asset”) is subject to a lease,
 - (b) a disposal event occurs with the result that a disposal value in respect of the asset is to be brought into account under Item 1, 2 or 7 of the Table in section 61(2), and
 - (c) arrangements have been entered into that have the effect of reducing the disposal value of the asset in so far as it is attributable to rentals payable under the lease,
- the disposal value is to be determined as if the arrangements had not been entered into.
- (2) Subsection (1) does not apply if—
- (a) the arrangements take the form of a transfer of relevant receipts within section 809AZA of ITA 2007 and the relevant amount has been treated as income under section 809AZB of that Act, or
 - (b) the arrangements take the form of a transfer of relevant receipts within section 752 of CTA 2010 and the relevant amount has been treated as income under section 753 of that Act.]

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

Textual Amendments

- F99** S. 64A inserted (8.4.2010) (with effect in accordance with Sch. 5 para. 3(2) to the amending Act) by [Finance Act 2010 \(c. 13\)](#), **Sch. 5 para. 3(1)**

The final chargeable period

65 The final chargeable period

- (1) The final chargeable period for—
 - (a) the main pool, or
 - ^[F100](b) a special rate pool,
is the chargeable period in which the qualifying activity is permanently discontinued.
- (2) The final chargeable period for a single asset pool is the first chargeable period in which any disposal event given in section 61(1) occurs.
- (3) Subsection (2) is subject to—
 - ^[F101]section] 206(4) (no final chargeable period merely because plant or machinery begins to be used partly for purposes other than those of qualifying activity);
 - sections 86(2) and 87(2) (ending of short-life asset pool at ^[F102]relevant] cut-off without final chargeable period);
 - section 132(2) (no final chargeable period for single ship pool).
- (4) The final chargeable period for a class pool under section 107 (overseas leasing) is the chargeable period at the end of which the circumstances are such that there can be no more disposal receipts in any subsequent chargeable period.

Textual Amendments

- F100** S. 65(1)(b) substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 26 para. 5**
- F101** Word in s. 65(3) substituted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1), 29(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 17** (with [Sch. 11 paras. 30-32](#))
- F102** Word in s. 65(3) substituted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **s. 12(3)**

List of provisions outside this Chapter about disposal values

66 List of provisions outside this Chapter about disposal values

The provisions of this Part referred to in section 60(1)(b) are—

section 68	hire-purchase etc.: disposal value on cessation of notional ownership
^[F103] section 70E	long funding leases: disposal events and disposal values]

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

sections 72 and 73	grant of new software right: disposal value
F104	F104
...	...
sections 88 and 89	short-life assets: disposal at under-value or to connected person
[^{F105} section 104E	special rate expenditure: avoidance cases]
sections 108, 111 and 114	overseas leasing: disposal values in various cases
sections 132 and 143	ships: ship used for overseas leasing etc.; attribution of amount where balancing charge deferred
section 171	oil production sharing contracts: disposal values on cessation of ownership
sections 196 and 197	fixtures: disposal values on cessation of notional ownership and in avoidance cases
section 208	effect of significant reduction in use of plant or machinery for purposes of qualifying activity
[^{F106} section 208A	cars: disposal value in avoidance cases]
section 211	effect of payment of partial depreciation subsidy
F107	F107
...	...
[^{F108} section 218ZB	disposal of plant or machinery in avoidance cases]
[^{F109} sections 228K to 228M	Disposal of plant or machinery subject to lease where income retained]
section 229	hire-purchase: disposal values in finance leasing and anti-avoidance cases
sections 238 and 239	additional VAT rebates

Textual Amendments

- F103** Words in s. 66 inserted (with effect in accordance with Sch. 32 para. 8 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 32 para. 6**
- F104** S. 66 entry omitted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1), 29(2) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 18(a)** (with [Sch. 11 paras. 30-32](#))
- F105** Words in s. 66 substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 26 para. 6**
- F106** Words in s. 66 inserted (with effect in accordance with Sch. 11 paras. 26, 27, 28(1) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 11 para. 18(b)** (with [Sch. 11 paras. 30-32](#))

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- F107** S. 66 entry 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(5)**
- F108** Words in s. 66 inserted (with effect in accordance with s. 70(11) of the amending Act) by Finance Act 2016 (c. 24), **s. 70(10)**
- F109** Words in s. 66 inserted (with effect in accordance with s. 84(5)(6) of the amending Act) by Finance Act 2006 (c. 25), **s. 84(2)**

[^{F110}Application of Chapter to person leaving cash basis

Textual Amendments

- F110** S. 66A and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 4 para. 48**

66A Persons leaving cash basis

[^{F111}(1) This section applies if—

- (a) a person carrying on a trade, profession, vocation or property business (“the business”) leaves the cash basis in a chargeable period,
- (b) the person has incurred expenditure at a time when the profits of the business are calculated on the cash basis,
- (c) some or all of the expenditure was brought into account in calculating the profits of the business on the cash basis, and
- (d) the expenditure would have been qualifying expenditure if the profits of the business had not been calculated on the cash basis at the time the expenditure was incurred.]

(2) In this section—

- (a) the “relieved portion” of the expenditure is the [^{F112}higher of the following]—
 - (i) [^{F113}the amount of that expenditure for which] a deduction was allowed in calculating the profits of the trade, profession[^{F114}, vocation or property business], or
 - (ii) [^{F113}the amount of that expenditure for which] a deduction would have been so allowed if the expenditure had been incurred wholly and exclusively for the purposes of the trade, profession[^{F114}, vocation or property business];
- (b) the “unrelieved portion” of the expenditure is any remaining amount of the expenditure.

(3) For the purposes of determining any entitlement of the person to an annual investment allowance or a first-year allowance, the person is to be treated as incurring the unrelieved portion of the expenditure in the chargeable period.

(4) For the purposes of determining the person's available qualifying expenditure in a pool for the chargeable period (see section 58)—

- (a) the whole of the expenditure must be allocated to the appropriate pool (or pools) in that chargeable period, and
- (b) the available qualifying expenditure in a pool to which the expenditure (or some of it) is allocated is reduced by the relieved portion of that expenditure.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (5) For the purposes of determining any disposal receipts (see section 60), the expenditure incurred by the person is to be regarded as qualifying expenditure.
- (6) For the purposes of this section a person carrying on a trade, profession or vocation leaves the cash basis in a chargeable period if—
- immediately before the beginning of the chargeable period an election under section 25A had effect in relation to the trade, profession or vocation, and
 - such an election does not have effect in relation to the trade, profession or vocation for the chargeable period.
- [For the purposes of this section a person carrying on a property business leaves the
- ^{F115}(7) cash basis in a chargeable period (“tax year X”) if the profits of the business are calculated—
- in accordance with GAAP (see section 271B of ITTOIA 2005) for tax year X, and
 - on the cash basis (see section 271D of that Act) for the previous tax year.
- (8) Subsection (11) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section.]]

Textual Amendments

- F111** S. 66A(1) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 53\(2\)](#)
- F112** Words in s. 66A(2)(a) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 53\(3\)\(a\)](#)
- F113** Words in s. 66A(2)(a)(i)(ii) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 53\(3\)\(b\)](#)
- F114** Words in s. 66A(2)(a) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 53\(3\)\(c\)](#)
- F115** S. 66A(7)(8) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 53\(4\)](#)

^{F116}*Effect of changes in Northern Ireland status of SME company or SME partnership*

Textual Amendments

- F116** Ss. 66B-66E and cross-heading inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), [Sch. 1 para. 7](#)

66B SME company entering NI corporation tax regime

- (1) This section applies if—
- in a chargeable period beginning after the commencement day (“the relevant period”) a company is [^{F117}an SME (Northern Ireland employer) company],
 - the company was neither [^{F118}an SME (Northern Ireland employer) company] nor a NIRE company in the previous chargeable period, and
 - the company has not become [^{F119}an SME (Northern Ireland employer) company] in the relevant period as a result of an election under section 357KB(2) of CTA 2010 (back-office activities of financial trades).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

- (2) The fact that assets which continue to be used in the relevant period for the purposes of the trade actually carried on by the company are as a result of section 15(2ZA) treated as ceasing to be used for the purposes of a main rate activity and beginning to be used for the purposes of an NI rate activity does not give rise to a disposal event within 61(1)(e) or (f).
- (3) If during the relevant period the only qualifying activity carried on by the company is an NI rate activity, the amount of any unrelieved qualifying expenditure in any main pool or special rate pool falling to be carried forward to the relevant period is to be treated as relating to plant and machinery used for the purposes of the NI rate activity.
- (4) If during the relevant period the company carries on both an NI rate activity and a main rate activity—
 - (a) the amount of any unrelieved qualifying expenditure in any main pool falling to be carried forward under section 59 to the relevant period is to be apportioned on a just and reasonable basis to become—
 - (i) a main pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
 - (ii) a main pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity, and
 - (b) the amount of any unrelieved qualifying expenditure in any special rate pool falling to be carried forward under section 59 to the relevant period is to be apportioned on a just and reasonable basis to become—
 - (i) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the NI rate activity, and
 - (ii) a special rate pool that is to be treated as relating to plant and machinery used for the purposes of the main rate activity.
- (5) “Main rate activity” means the company's trade except so far as it is an NI rate activity.
- (6) “The commencement day” has the meaning given by section 5(4) of the Corporation Tax (Northern Ireland) Act 2015.

Textual Amendments

F117 Words in s. 66B(1)(a) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(e\)](#)

F118 Words in s. 66B(1)(b) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(e\)](#)

F119 Words in s. 66B(1)(c) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(e\)](#)

66C SME partnership entering NI corporation tax regime

For the purposes of the corporate partner calculation, section 66B applies in relation to a partnership as if—

- (a) references to a company were references to a partnership,
- (b) references to [^{F120}an SME (Northern Ireland employer) company] were references to a Northern Ireland Chapter 6 firm,
- (c) the reference to a NIRE company were a reference to a Northern Ireland Chapter 7 firm,
- (d) the reference to section 357KB(2) of CTA 2010 were a reference to section 357WB(2) of that Act, and
- (e) the reference to section 15(2ZA) were a reference to section 15(2ZB).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5. (See end of Document for details)

Textual Amendments

F120 Words in s. 66C(b) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(f\)](#)

66D SME company leaving NI corporation tax regime

- (1) This section applies if—
 - (a) in a chargeable period beginning after the commencement day (“the relevant period”) a company is neither [^{F121}an SME (Northern Ireland employer) company] nor a NIRE company,
 - (b) the company was [^{F122}an SME (Northern Ireland employer) company] in the previous chargeable period, and
 - (c) during the relevant period the company carries on a qualifying activity.
- (2) The fact that assets which continue to be used in the relevant period for the purposes of the trade actually carried on are as a result of section 15(2ZA) treated as ceasing to be used for the purposes of an NI rate activity and beginning to be used for the purposes of the qualifying activity mentioned in subsection (1)(c) does not give rise to a disposal event within 61(1)(e) or (f).
- (3) Any unrelieved qualifying expenditure which—
 - (a) relates to plant or machinery used for the purposes of an NI activity, and
 - (b) falls to be carried forward to the relevant period,
 is to be treated as relating to the qualifying activity that the company carries on in the relevant period.
- (4) “The commencement day” has the meaning given by section 5(4) of the Corporation Tax (Northern Ireland) Act 2015.

Textual Amendments

F121 Words in s. 66D(1)(a) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(g\)](#)

F122 Words in s. 66D(1)(b) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(g\)](#)

66E SME partnership leaving NI corporation tax regime

For the purposes of the corporate partner calculation, section 66D applies in relation to a partnership as if—

- (a) references to a company were references to a partnership,
- (b) references to [^{F123}an SME (Northern Ireland employer) company] were references to a Northern Ireland Chapter 6 firm,
- (c) the reference to a NIRE company were a reference to a Northern Ireland Chapter 7 firm, and
- (d) the reference to section 15(2ZA) were a reference to section 15(2ZB).]

Textual Amendments

F123 Words in s. 66E(b) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 7 para. 24\(h\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 5.