



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 6

HIRE-PURCHASE ETC. AND PLANT OR MACHINERY PROVIDED BY LESSEE

Hire-purchase and similar contracts

67 Plant or machinery treated as owned by person entitled to benefit of contract, etc.

(1) This section applies if—

- (a) a person carrying on a qualifying activity [^{F1}or corresponding overseas activity] incurs capital expenditure on the provision of plant or machinery for the purposes of the qualifying activity [^{F1}or corresponding overseas activity], and
- (b) the expenditure is incurred under a contract providing that the person shall or may become the owner of the plant or machinery on the performance of the contract.

(2) The plant or machinery is to be treated for the purposes of this Part as owned by the person (and not by any other person) at any time when he is entitled to the benefit of the contract so far as it relates to the plant or machinery.

[^{F2}This subsection has effect subject to, and in accordance with, subsections (2A) to (2C).]

[^{F3}(2A) If the contract is one which, in accordance with generally accepted accounting practice, falls (or would fall) to be treated as a lease, subsection (2B) applies.

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- (2B) Where that is the case, the plant or machinery is to be treated under subsection (2) as owned by the person at any time only if the contract [^{F4}—
- (a) falls (or would fall) to be treated by that person in accordance with generally accepted accounting practice as a finance lease, or
 - (b) if that person is a lessee under a right-of-use lease, would fall to be treated in that person's accounts as a finance lease were that person required under generally accepted accounting practice to determine whether the lease falls to be so treated.]

- (2C) Where at any time the plant or machinery—
- (a) is not treated under subsection (2) as owned by the person, but
 - (b) would be treated under that subsection as owned by the person, but for subsection (2B),

the plant or machinery is nevertheless to be treated under subsection (2) as not owned by any other person at that time.]

- (3) At the time when the plant or machinery is brought into use for the purposes of the qualifying activity [^{F1}or corresponding overseas activity], the person is to be treated for the purposes of this Part as having incurred all capital expenditure in respect of the plant or machinery to be incurred by him under the contract after that time.

- (4) If a person—
- (a) is treated under subsection (2) as owning plant or machinery,
 - (b) ceases to be entitled to the benefit of the contract in question so far as it relates to that plant or machinery, and
 - (c) does not then in fact become the owner of the plant or machinery,
- the person is to be treated as ceasing to own the plant or machinery at the time when he ceases to be entitled to the benefit of the contract.

[^{F5}(6) If—

- (a) a person enters into two or more agreements, and
- (b) those agreements are such that, if they together constituted a single contract, the condition in subsection (1)(b) would be met in relation to that person and that contract,

the agreements are to be treated for the purposes of this section as parts of a single contract.

In this subsection, any reference to an agreement includes a reference to an undertaking, whether or not legally enforceable.]

[^{F6}(7)] This section is subject to section 69 (hire-purchase and fixtures) and subsection (3) is subject to section 229 (anti-avoidance).

[^{F7}(8) In this section “corresponding overseas activity” means an activity that would be a qualifying activity if the person carrying it on were resident in the United Kingdom.]

Textual Amendments

F1 Words in s. 67 inserted (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(2\)](#)

F2 Words in s. 67(2) inserted (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(3\)](#)

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- F3** S. 67(2A)-(2C) inserted (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(4\)](#)
- F4** Words in s. 67(2B) substituted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 14 para. 1\(2\)](#)
- F5** S. 67(6) inserted (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(6\)](#)
- F6** S. 67(7) renumbered (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(5\)](#)
- F7** S. 67(8) inserted (with effect in accordance with Sch. 9 para. 12(8) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 12\(7\)](#)

Modifications etc. (not altering text)

- C1** Pt. 2 modified (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [s. 9\(1\)\(a\)](#)
- C2** S. 67 applied (with modifications) (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [s. 9\(8\)](#)

68 Disposal value on cessation of notional ownership

- (1) This section applies if a person—
- is treated under section 67(4) as ceasing to own plant or machinery, and
 - is required to bring a disposal value into account as a result.
- (2) If the plant or machinery has been brought into use for the purposes of the qualifying activity before the person ceases to own the plant or machinery, the disposal value is the total of—
- any relevant capital sums, and
 - any capital expenditure treated under section 67(3) as having been incurred when the plant or machinery was brought into use but which has not in fact been incurred.
- (3) If the plant or machinery has not been brought into use for the purposes of the qualifying activity before the person ceases to own the plant or machinery, the disposal value is the total of any relevant capital sums.
- (4) “Relevant capital sums” means capital sums that the person receives or is entitled to receive by way of consideration, compensation, damages or insurance money in respect of—
- his rights under the contract, or
 - the plant or machinery.
- (5) This section is subject to section 229 (anti-avoidance).

69 Hire-purchase etc. and fixtures

- (1) Section 67 does not—
- apply to expenditure incurred on plant or machinery which is a fixture, or
 - prevent Chapter 14 (fixtures) applying in relation to expenditure on plant or machinery incurred under such a contract as is mentioned in section 67(1)(b).
- (2) If—
- a person is treated under section 67(2) as owning plant or machinery,
 - the plant or machinery becomes a fixture, and

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- (c) the person is not treated under Chapter 14 as being the owner of the plant or machinery,
the person is to be treated for the purposes of this Part as ceasing to own the plant or machinery at the time when it becomes a fixture.
- (3) In this section “fixture” has the meaning given by section 173(1).

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