



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

### CHAPTER 7

#### COMPUTER SOFTWARE

#### **71 Software and rights to software**

- (1) For the purposes of this Part computer software is treated as plant (whether or not it would constitute plant apart from this section).
- (2) If a person carrying on a qualifying activity incurs capital expenditure in acquiring, for the purposes of the qualifying activity, a right to use or otherwise deal with computer software, this Part applies as if—
  - (a) the right and the software to which it relates were plant,
  - (b) the plant were provided for the purposes of the qualifying activity, and
  - (c) so long as the person is entitled to the right, the person owned the plant as a result of incurring the capital expenditure.

#### **72 Disposal values**

- (1) This section applies if a person—
  - (a) has incurred qualifying expenditure on the provision of plant consisting of computer software or the right to use or otherwise deal with computer software, and
  - (b) grants to another a right to use or otherwise deal with the whole or part of the computer software in circumstances in which the consideration for the grant—
    - (i) consists of a capital sum, or
    - (ii) would consist of a capital sum if the consideration were in money.

---

*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 7. (See end of Document for details)*

---

- (2) The person is required to bring a disposal value into account unless—
- (a) while the person owned the computer software or the right to use or otherwise deal with the computer software, and
  - (b) before the grant of the right referred to in subsection (1)(b),
- there has been a disposal event falling within section 61(1)(e) (use for purposes other than those of the qualifying activity) or 61(1)(f) (permanent discontinuance of the qualifying activity).
- (3) The disposal value to be brought into account under this section depends on the circumstances of the grant of the right, as shown in the Table—

Table

Disposal values: grant of software right

<b>1. Circumstances of grant</b>	<b>2. Disposal value</b>
1. The grant is for a consideration not consisting entirely of money.	The market value of the right granted at the time of the grant.
2. The grant is made where—	The market value of the right granted at the time of the grant.
(a) it is for no consideration or at less than market value,	
(b) there is no charge to tax under [F1ITEPA 2003], and	
(c) the condition in subsection (5) is met by the grantee.	
3. The grant is made in circumstances other than those given in item 1 or 2.	The net consideration in money received in respect of the grant, together with—
	(a) any insurance money received in respect of the computer software as a result of an event affecting the consideration obtainable on the grant, and
	(b) any other compensation of any description so received, so far as it consists of capital sums.

- (4) The amounts referred to in column 2 of the Table are those received by the person required to bring the disposal value into account.
- (5) The condition referred to in item 2 of the Table is met by the grantee if—
- (a) the grantee's expenditure on the acquisition of the plant cannot be qualifying expenditure under this Part or Part 6 (research and development allowances), or
  - (b) the grantee is a dual resident investing company which is connected with the grantor.

#### **Textual Amendments**

**F1** Words in s. 72(3) 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. 251](#) (with [Sch. 7](#) )

---

**Changes to legislation:** There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 7. (See end of Document for details)

---

**Modifications etc. (not altering text)**

**C1** S. 72(3)-(5) 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

**73 Limit on disposal values**

- (1) This section applies if a person is required to bring into account a disposal value in respect of—
  - (a) computer software, or
  - (b) the right to use or otherwise deal with computer software.
- (2) For the purpose only of—
  - (a) determining whether the limit on the disposal value under section 62 is exceeded, and
  - (b) reducing the amount of that disposal value so that the limit is not exceeded, the disposal value is to be taken to be increased by the amount given in subsection (3).
- (3) The amount is the total of any disposal values which, in respect of that person and that plant, fall or have fallen to be brought into account under section 72.

**Changes to legislation:**

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 7.