



Capital Allowances Act 2001

2001 CHAPTER 2

[^{F1}PART 3

INDUSTRIAL BUILDINGS ALLOWANCES

CHAPTER 7

BALANCING ADJUSTMENTS

[^{F1} General

Textual Amendments

- F1** Pt. 3 omitted (with effect in relation to chargeable periods beginning on or after 1.4.2011 for corporation tax purposes and 6.4.2011 for income tax purposes in accordance with ss. 84(1)(3)(4), 85, 86 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 84\(2\)](#) (with [Sch. 27](#))

314 When balancing adjustments are made

- (1) A balancing adjustment is made if—
 - (a) qualifying expenditure has been incurred on a building, and
 - (b) a balancing event occurs while the building is an industrial building or after it has ceased to be an industrial building.
- (2) A balancing adjustment is either a balancing allowance or a balancing charge and is made for the chargeable period in which the balancing event occurs.
- (3) A balancing allowance or balancing charge is made to or on the person entitled to the relevant interest in the building immediately before the balancing event.
- (4) No balancing adjustment is made if the balancing event occurs more than 25 years after the building was first used.

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

- (5) If more than one balancing event within section 315(1) occurs during a period when the building is not an industrial building, a balancing adjustment is made only on the first of them.

315 Main balancing events

- (1) The following are balancing events for the purposes of this Part—
- (a) the relevant interest in the building is sold;
 - (b) if the relevant interest is a lease, the lease ends otherwise than on the person entitled to it acquiring the interest reversionary on it;
 - (c) the building is demolished or destroyed;
 - (d) the building ceases altogether to be used (without being demolished or destroyed);
 - (e) if the relevant interest depends on the duration of a foreign concession, the concession ends.
- (2) “Foreign concession” means a right or privilege granted by the government of, or any municipality or other authority in, a territory outside the United Kingdom.
- (3) Other balancing events are provided for by—
- section 328 (realisation of capital value where site of building is in enterprise zone);
 - section 343 (ending of highway concession);
 - section 350 (additional VAT rebates and balancing adjustments);
- and a balancing event under this section may also occur as a result of section 317 (hotel not qualifying hotel for 2 years).

316 Proceeds from main balancing events

- (1) References in this Part to the proceeds from a balancing event within section 315(1) are to the amounts received or receivable in connection with the event, as shown in the Table—

Table

Balancing events and proceeds

1. Balancing event

1. The sale of the relevant interest.
2. The demolition or destruction of the building.

2. Proceeds from event

- The net proceeds of the sale.
- The net amount received for the remains of the building, together with—
- (a) any insurance money received in respect of the demolition or destruction, and
 - (b) any other compensation of any description so received, so far as it consists of capital sums.

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3. The building ceases altogether to be used.	Any compensation of any description received in respect of the event, so far as it consists of capital sums.
4. A foreign concession ends.	Any compensation payable in respect of the relevant interest.

- (2) The amounts referred to in column 2 of the Table are those received or receivable by the person whose entitlement to a balancing allowance or liability to a balancing charge is in question.

317 Balancing event where hotel not qualifying hotel for 2 years

- (1) This section applies if—
- (a) a building ceases to be a qualifying hotel otherwise than on the occurrence of a balancing event which is within section 315(1), and
 - (b) after the building ceases to be a qualifying hotel, a period of 2 years elapses—
 - (i) in which it is not a qualifying hotel, and
 - (ii) without the occurrence of a balancing event.
- (2) This Part has effect as if—
- (a) the relevant interest in the building had been sold at the end of the 2 year period, and
 - (b) the net proceeds of the sale were equal to the market value of that interest.
- (3) Subsection (2) does not affect section 285 (building treated as industrial building during period of temporary disuse).
- (4) But a building is not to be treated under section 285(b) as continuing to be a qualifying hotel for more than 2 years after the end of the chargeable period in which it falls temporarily out of use.
- (5) This section does not apply to qualifying enterprise zone expenditure.]

Changes to legislation:

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Heading: General.