



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### [<sup>F1</sup>PART 4

#### AGRICULTURAL BUILDINGS ALLOWANCES

### [<sup>F1</sup>CHAPTER 4

#### WRITING-DOWN ALLOWANCES

##### Textual Amendments

- F1** Pt. 4 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 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 84\(2\)](#) (with [Sch. 27](#))

### 372 Entitlement to writing-down allowance

- (1) A person is entitled to a writing-down allowance for a chargeable period if—
  - (a) qualifying expenditure has been incurred,
  - (b) at any time during that chargeable period he is entitled to the relevant interest in relation to the qualifying expenditure, and
  - (c) that time falls within the writing-down period.
- (2) The writing-down period, in relation to qualifying expenditure incurred by a person, is 25 years beginning with the first day of the chargeable period of that person in which the qualifying expenditure was incurred.
- (3) A person claiming a writing-down allowance may require the allowance to be reduced to a specified amount.

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*Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 4. (See end of Document for details)*

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### **373 Basic rule for calculating amount of allowance**

- (1) The basic rule is that the writing-down allowance for a chargeable period is 4% of the qualifying expenditure.
- (2) The allowance is proportionately increased or reduced if the chargeable period is more or less than a year.

### **374 First use of building not for purposes of husbandry, etc.**

- (1) No writing-down allowance is to be made under section 372 if, when the agricultural building is first used, it is not used for the purposes of husbandry.
- (2) Any writing-down allowance which has been made in respect of an agricultural building which has not been used is to be withdrawn if—
  - (a) when the building is first used, it is not used for the purposes of husbandry, or
  - (b) the person to whom the allowance was made sells the relevant interest before the building is first used.
- (3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to this section.

### **375 Effect of acquisition of relevant interest after first use of building**

- (1) This section applies if—
  - (a) a person (“the former owner”) would be entitled to an allowance under this Part in respect of any expenditure if he continued to be the owner of the relevant interest, and
  - (b) another person (“the new owner”) acquires the relevant interest in the whole or a part of the related agricultural land.
- (2) For the purposes of subsection (1)(b), it is immaterial whether the relevant interest is acquired by transfer, by operation of law or otherwise.
- (3) The former owner—
  - (a) is not entitled to an allowance for any chargeable period after that in which the acquisition occurs, and
  - (b) if the acquisition occurs during a chargeable period, is entitled only to an appropriate part of any writing-down allowance for that period.
- (4) The new owner—
  - (a) is entitled to allowances for the chargeable period in which the acquisition occurs and for subsequent chargeable periods falling wholly or partly within the writing-down period, and
  - (b) if the acquisition occurs during a chargeable period, is entitled only to an appropriate part of any writing-down allowance for that period.
- (5) If the new owner acquires the relevant interest in part only of the related agricultural land, subsections (3) and (4) apply to so much only of the allowance as is properly referable to that part of the agricultural land as if it were a separate allowance.

### **376 Calculation of allowance after acquisition**

- (1) This section applies if—

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- (a) section 375 applies, and
  - (b) the acquisition is a balancing event under section 381 (as a result of an election made in accordance with section 382).
- (2) The writing-down allowance for a chargeable period ending after the event is—

$$RQE \times \frac{A}{B}$$

where—

RQE is the residue of qualifying expenditure immediately after the event,

A is the length of the chargeable period, and

B is the length of the period from the date of the event to the end of the writing-down period.

- (3) On any later acquisition that is a balancing event under section 381, the writing-down allowance is further adjusted in accordance with this section.
- (4) The residue of qualifying expenditure immediately after a balancing event is calculated as mentioned in section 386, taking into account any balancing adjustment falling to be made on the event.
- (5) For this purpose, any balancing allowance on that or any previous balancing event which is reduced or denied under section 389 (sale subject to subordinate interest) is to be treated as having been made in full.
- (6) The allowance is proportionately reduced if the person entitled to the allowance is not entitled to the relevant interest in relation to the expenditure in question during part of the chargeable period.

### **377 Chargeable period when balancing adjustment made**

A person is not entitled to a writing-down allowance for a chargeable period in which a balancing allowance or balancing charge is made to or on him in respect of the qualifying expenditure.

### **378 Allowance limited to residue of qualifying expenditure**

- (1) The amount of a writing-down allowance for a chargeable period is limited to the residue of qualifying expenditure immediately before it is made or would, apart from this section, be made.
- (2) The residue of qualifying expenditure is calculated in accordance with section 386.

### **379 Final writing-down allowance**

- (1) In this section “the final writing-down allowance” means the writing-down allowance which is made—
  - (a) to the person who is entitled to the relevant interest when the writing-down period ends, and
  - (b) for the chargeable period in which it ends.

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- (2) If the final writing-down allowance would, apart from this section, be less than the amount of the residue of qualifying expenditure immediately before it is made, the allowance is increased to that amount.
- (3) When determining the residue of qualifying expenditure under section 386 for the purposes of subsection (2), assume that all such writing-down allowances have been made to the persons who have been entitled to the relevant interest during the writing-down period as could have been made if each of them—
  - (a) had been entitled to allowances, and
  - (b) had claimed allowances in full.]

**Changes to legislation:**

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