Capital Allowances Act 2001

2001 CHAPTER 2

PART 5

MINERAL EXTRACTION ALLOWANCES

CHAPTER 1

INTRODUCTION

394 Mineral extraction allowances

(1) Allowances are available under this Part if a person carries on a mineral extraction trade and incurs qualifying expenditure.

(2) In this Part "mineral extraction trade" means a trade which consists of, or includes, the working of a source of mineral deposits.

(3) In this Part "mineral deposits" includes any natural deposits capable of being lifted or extracted from the earth, and for this purpose geothermal energy is to be treated as a natural deposit.

(4) Any reference in this Part to mineral deposits is to mineral deposits of a wasting nature.

(5) In this Part "source of mineral deposits" includes a mine, an oil well and a source of geothermal energy.

395 Qualifying expenditure

(1) In this Part "qualifying expenditure" means—

    (a) expenditure on mineral exploration and access which is qualifying expenditure under Chapter 2,

    (b) expenditure on acquiring a mineral asset which is qualifying expenditure under Chapter 3,

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    (c)   expenditure which is treated as qualifying expenditure on mineral exploration and access under section 407(5) or 408(2), and

    (d)   expenditure which is qualifying expenditure under Chapter 5 (expenditure on works likely to become valueless and post-trading restoration expenditure).

But this is subject to subsections (2) and (3).

(2) Expenditure is not qualifying expenditure if it is excluded from being qualifying expenditure by section 399.

(3) Chapter 4 contains provisions limiting in certain cases the amount of expenditure which is qualifying expenditure.

396   Meaning of "mineral exploration and access"

(1) In this Part "mineral exploration and access" means—
    (a)   searching for or discovering and testing the mineral deposits of a source, or
    (b)   winning access to such deposits.

(2) Expenditure on seeking planning permission necessary to enable—
    (a)   mineral exploration and access to be undertaken at any place, or
    (b)   any mineral deposits to be worked,
is treated as expenditure on mineral exploration and access if planning permission is not granted.

(3) "Seeking planning permission" includes pursuing an appeal against a refusal to grant planning permission.

397   Meaning of "mineral asset"

In this Part "mineral asset" means—
    (a)   any mineral deposits or land comprising mineral deposits, or
    (b)   any interest in or right over such deposits or land.

398   Relationship between main types of qualifying expenditure

Subject to Chapter 4, expenditure on—
    (a)   the acquisition of, or of rights over, the site of a source of mineral deposits, or
    (b)   the acquisition of, or of rights over, mineral deposits,
is to be treated as expenditure on acquiring a mineral asset and not as expenditure on mineral exploration and access.

399   Expenditure excluded from being qualifying expenditure

(1) Expenditure on the provision of plant or machinery is not qualifying expenditure except as provided by section 402 (pre-trading expenditure on plant or machinery).

(2) Expenditure on works constructed wholly or mainly for subjecting the raw product of a source to any process is not qualifying expenditure, unless the process is designed for preparing the raw product for use as such.

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(3) Expenditure on buildings or structures provided for occupation by, or for the welfare of, workers is not qualifying expenditure except as provided by section 415.

(4) Expenditure on a building is not qualifying expenditure if the whole of the building was constructed for use as an office.

(5) Subsection (6) applies if part of a building or structure has been constructed for use as an office.

(6) The expenditure on the office part is not qualifying expenditure if it was more than 10% of the capital expenditure incurred on the construction of the whole.