



Capital Allowances Act 2001

2001 CHAPTER 2

PART 5

MINERAL EXTRACTION ALLOWANCES

CHAPTER 2

QUALIFYING EXPENDITURE ON MINERAL EXPLORATION AND ACCESS

400 Qualifying expenditure on mineral exploration and access

- (1) Expenditure on mineral exploration and access is qualifying expenditure if—
 - (a) it is capital expenditure, and
 - (b) it is incurred for the purposes of a mineral extraction trade.
- (2) Expenditure on mineral exploration and access incurred by a person in connection with a mineral extraction trade which that person carries on then or subsequently is to be treated as incurred for the purposes of that trade.
- (3) But pre-trading expenditure on mineral exploration and access is qualifying expenditure only to the extent provided by—
 - section 401 (pre-trading exploration expenditure), or
 - section 402 (pre-trading expenditure on plant or machinery).
- (4) Any pre-trading expenditure that is qualifying expenditure under either of those sections is to be treated as incurred on the first day of trading.
- (5) In this Chapter—
 - (a) “pre-trading expenditure” means capital expenditure incurred before the day on which a person begins to carry on a mineral extraction trade, and
 - (b) “the first day of trading”, in relation to a person’s pre-trading expenditure, means the day on which that person begins to carry on the mineral extraction trade.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2. (See end of Document for details)

401 Pre-trading exploration expenditure

- (1) This section applies if—
 - (a) a person incurs pre-trading expenditure on mineral exploration and access at a source, and
 - (b) the expenditure is not incurred on the provision of plant or machinery.
- (2) The amount of the expenditure (“pre-trading exploration expenditure”) that is qualifying expenditure depends on whether mineral exploration and access is continuing at the source on the first day of trading.
- (3) If it is, so much of the pre-trading exploration expenditure as exceeds any relevant receipts is qualifying expenditure.
- (4) If it is not, only so much of the pre-trading exploration expenditure as—
 - (a) was incurred within 6 years ending on the first day of trading, and
 - (b) exceeds any relevant receipts,is qualifying expenditure.
- (5) “Relevant receipts” means capital sums received—
 - (a) by the person incurring the pre-trading exploration expenditure referred to in subsection (3) or (4), and
 - (b) before the first day of trading,so far as they are reasonably attributable to that expenditure.

402 Pre-trading expenditure on plant or machinery

- (1) This section applies if—
 - (a) a person incurs pre-trading expenditure on the provision of plant or machinery for mineral exploration and access,
 - (b) the plant or machinery was used in connection with mineral exploration and access at a source, and
 - (c) before the first day of trading, the plant or machinery is sold, demolished, destroyed or abandoned.
- (2) The amount of the expenditure (“pre-trading expenditure on plant or machinery”) that is qualifying expenditure depends on whether mineral exploration and access is continuing at the source on the first day of trading.
- (3) If it is, so much of the pre-trading expenditure on plant or machinery as exceeds any relevant receipts is qualifying expenditure.
- (4) If it is not, only so much of the pre-trading expenditure on plant or machinery as—
 - (a) was incurred within 6 years ending on the first day of trading, and
 - (b) exceeds any relevant receipts,is qualifying expenditure.
- (5) “Relevant receipts” means—
 - (a) if the plant or machinery is sold, the net proceeds to the person of the sale;
 - (b) if the plant or machinery is demolished or destroyed, the net amount received by the person for the remains of the plant or machinery, together with—
 - (i) any insurance money received by him in respect of the demolition or destruction, and

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- (ii) any other compensation of any description so received, so far as it consists of capital sums;
- (c) if the plant or machinery is abandoned—
 - (i) any insurance money received by the person in respect of the abandonment, and
 - (ii) any other compensation of any description so received, so far as it consists of capital sums.

Changes to legislation:

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