



Capital Allowances Act 2001

2001 CHAPTER 2

PART 5

MINERAL EXTRACTION ALLOWANCES

CHAPTER 6

ALLOWANCES AND CHARGES

Cases in which a person is entitled to a balancing allowance

426 Pre-trading expenditure

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the expenditure is qualifying expenditure under—
 - (i) section 401(4) (pre-trading exploration expenditure where exploration etc. has ceased before first day of trading), or
 - (ii) section 402 (pre-trading expenditure on plant or machinery), and
- (b) the first day of trading occurs in that chargeable period.

427 Giving up exploration, search or inquiry

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the qualifying expenditure is expenditure on mineral exploration and access,
- (b) he gives up the exploration, search or inquiry to which the expenditure related in that chargeable period, and
- (c) he does not then or later carry on a mineral extraction trade which consists of or includes the working of mineral deposits to which the expenditure related.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001,
 Cross Heading: Cases in which a person is entitled to a balancing allowance. (See end of Document for details)

428 Ceasing to work mineral deposits

- (1) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—
- (a) in that chargeable period he permanently ceases to work particular mineral deposits, and
 - (b) the qualifying expenditure is expenditure incurred—
 - (i) on mineral exploration and access relating solely to those deposits, or
 - (ii) on acquiring a mineral asset consisting of those deposits or part of them.
- (2) If the person carrying on the mineral extraction trade is entitled to two or more mineral assets which at any time were—
- (a) comprised in a single mineral asset, or
 - (b) otherwise derived from a single mineral asset,
- subsection (1) does not apply until such time as the person permanently ceases to work the deposits comprised in all the mineral assets concerned taken together.
- (3) For the purposes of subsection (2), if a mineral asset relates to, but does not actually consist of, mineral deposits, the deposits to which the asset relates are to be treated as comprised in the asset.

429 Buildings etc. for benefit of employees abroad ceasing to be used

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—

- (a) the expenditure is qualifying expenditure under section 415 (contributions to buildings or works for benefit of employees abroad), and
- (b) in that chargeable period the buildings or works permanently cease to be used for the purposes of or in connection with the mineral extraction trade.

430 Disposal of asset, etc.

- (1) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if—
- (a) the qualifying expenditure was incurred on the provision of any assets, and
 - (b) in that chargeable period any of those assets—
 - (i) is disposed of, or
 - (ii) otherwise permanently ceases to be used by him for the purposes of the mineral extraction trade.
- (2) A person's entitlement to an allowance for a chargeable period is to a balancing allowance if any of the following events occurs in that chargeable period in relation to assets representing the qualifying expenditure—
- (a) the person loses possession of the assets in circumstances where it is reasonable to assume that the loss is permanent;
 - (b) the assets cease to exist as such (as a result of destruction, dismantling or otherwise);
 - (c) the assets begin to be used wholly or partly for purposes other than those of the mineral extraction trade carried on by the person.

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431 Discontinuance of trade

A person's entitlement to an allowance for a chargeable period is to a balancing allowance if in that chargeable period the mineral extraction trade is permanently discontinued.

[^{F1}431A Foreign permanent establishment exemption

- (1) Subsection (2) applies if—
 - (a) an election under section 18A of CTA 2009 has effect in relation to a company, and
 - (b) the company carries on any trade which consists of, or includes, the working of a source of mineral deposits.
- (2) That trade so far as carried on through one or more permanent establishments outside the United Kingdom is treated for the purposes of this Part as a trade—
 - (a) separate from any other trade of the company, and
 - (b) all the profits and gains from which are not, or (if there were any) would not be, chargeable to tax.

Textual Amendments

- F1** Ss. 431A-431C inserted (with effect in accordance with s. 67(9) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 67\(7\)](#)

431B Disposal value: no allowance/no charge cases

- (1) If—
 - (a) an election under section 18A of CTA 2009 has effect in relation to a company, and
 - (b) the operation of sections 431A and 421(1)(b)(ii) and (2) requires the company to bring the disposal value of an asset into account,the disposal value is such an amount as gives rise to neither a balancing allowance nor a balancing charge.
- (2) Subsection (1) does not apply if—
 - (a) the company's qualifying expenditure in respect of the asset exceeds £5 million,
 - (b) the company has claimed any capital allowance in respect of any of that expenditure, and
 - (c) the company has, at any time in a relevant accounting period, used the asset otherwise than for the purposes of a permanent establishment outside the United Kingdom.
- (3) In subsection (2)(c) “relevant accounting period” means an accounting period ending before, but ending not more than 6 years before, “the relevant day” as defined by section 18F of CTA 2009.

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Textual Amendments

F1 Ss. 431A-431C inserted (with effect in accordance with s. 67(9) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 67\(7\)](#)

431C Notional allowances

- (1) Subsection (2) applies if—
- (a) an election under section 18A of CTA 2009 has effect in relation to a company, and
 - (b) but for section 18A of CTA 2009 and section 431A(2)(b), an allowance under this Part (“the notional allowance”) could be claimed under section 3(1) in respect of assets provided for the purposes of a permanent establishment outside the United Kingdom through which business is or has been carried on by the company.
- (2) The notional allowance (and any charge in connection with it which would have arisen if the allowance had been claimed) is to be made automatically and reflected in any calculation, for any relevant accounting period of the company, of the profits or losses attributable to business carried on by the company through such a permanent establishment.
- (3) Subsection (4) applies if, at the time an election under section 18A of CTA 2009 takes effect in relation to a company, the company is, by reason of sections 431A and 421(1)(b)(ii) and (2), required to bring into account the disposal value of any asset provided for the purposes of a foreign permanent establishment through which business is or has been carried on by the company.
- (4) For the purposes of subsections (1) and (2), the company is treated as having incurred at that time, for the purposes of the trade mentioned in section 431A(2), qualifying expenditure of an amount equal to that disposal value.
- (5) In subsection (2) “relevant accounting period”, in relation to a company by which an election under section 18A of CTA 2009 is made, means an accounting period of the company to which the election applies (as to which see section 18F of that Act).]

Textual Amendments

F1 Ss. 431A-431C inserted (with effect in accordance with s. 67(9) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 67\(7\)](#)

[^{F2}431D Persons leaving cash basis

- (1) This section applies if—
- (a) a person carrying on a mineral extraction trade leaves the cash basis in a chargeable period,
 - (b) the person has incurred expenditure at a time when an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect in relation to the trade,
 - (c) some or all of the expenditure was brought into account in calculating the profits of the trade on the cash basis, and

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- (d) the expenditure would have been qualifying expenditure if an election under section 25A of that Act had not had effect at the time the expenditure was incurred.
- (2) In this section—
- (a) the “relieved portion” of the expenditure is the higher of the following—
 - (i) the amount of that expenditure for which a deduction was allowed in calculating the profits of the trade, or
 - (ii) the amount of that expenditure for which a deduction would have been so allowed if the expenditure had been incurred wholly and exclusively for the purposes of the trade;
 - (b) the “unrelieved portion” of the expenditure is any remaining amount of the expenditure.
- (3) An amount of the expenditure equal to the amount (if any) by which the unrelieved portion of the expenditure exceeds the relieved portion of the expenditure is to be regarded as qualifying expenditure incurred by the person in the chargeable period.
- (4) For the purposes of this section a person carrying on a trade leaves the cash basis in a chargeable period if—
- (a) immediately before the beginning of the chargeable period an election under section 25A of ITTOIA 2005 had effect in relation to the trade, and
 - (b) such an election does not have effect in relation to the trade for the chargeable period.]

Textual Amendments

- F2** S. 431D inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 55](#)

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