



Capital Allowances Act 2001

2001 CHAPTER 2

PART 7

KNOW-HOW ALLOWANCES

CHAPTER 2

QUALIFYING EXPENDITURE

454 Qualifying expenditure

- (1) In this Part “qualifying expenditure” means, subject to section 455, capital expenditure incurred on the acquisition of know-how by a person if—
 - (a) the person is carrying on a trade at the time of the acquisition and the know-how is acquired for use in that trade,
 - (b) the person acquires the know-how and subsequently sets up and commences a trade in which it is used,
 - (c) the person acquires the know-how together with the trade or part of a trade in which it was used and the parties to the acquisition make an election under [^{F1}section 194 of ITTOIA 2005 or under][^{F2}section 178 of CTA 2009] (consideration for know-how on disposal of trade to be treated as payment for goodwill unless parties otherwise elect), or
 - (d) the person acquires the know-how together with the trade or part of a trade in which it was used and the trade in question was, before the acquisition, carried on wholly outside the United Kingdom.
- (2) The same expenditure may not be taken into account as qualifying expenditure in relation to more than one trade.
- (3) Qualifying expenditure incurred before the setting up and commencement of the relevant trade is to be treated for the purposes of this Part as incurred when the trade is set up and commenced.

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

- (4) “Relevant trade” means the trade by reference to which expenditure is qualifying expenditure.

Textual Amendments

- F1** Words in s. 454(1)(c) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 562](#) (with [Sch. 2](#))
- F2** Words in s. 454(1)(c) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 509](#) (with [Sch. 2 Pts. 1, 2](#))

455 Excluded expenditure

- (1) Expenditure on the acquisition of know-how is not qualifying expenditure to the extent that it is otherwise deducted for tax purposes.
- (2) Expenditure on the acquisition of know-how is not qualifying expenditure if—
- (a) the buyer is a body of persons over whom the seller has control,
 - (b) the seller is a body of persons over whom the buyer has control, or
 - (c) the buyer and the seller are both bodies of persons and another person has control over both of them.
- (3) In subsection (2) “body of persons” includes a partnership.
- (4) Expenditure on the acquisition of know-how is not qualifying expenditure if it is treated as a payment for goodwill under [^{F3}section 194(3) of ITTOIA 2005 or under][^{F4}section 178(3) of CTA 2009] (consideration for know-how on disposal of trade to be treated as payment for goodwill, unless parties otherwise elect etc.).

Textual Amendments

- F3** Words in s. 455(4) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 563](#) (with [Sch. 2](#))
- F4** Words in s. 455(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 510](#) (with [Sch. 2 Pts. 1, 2](#))

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Chapter 2.