



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 17

[^{F1}OTHER ANTI-AVOIDANCE]

Miscellaneous and supplementary

[^{F1}229A Transfer followed by hire-purchase etc: restrictions on hirer's allowances

- (1) This section applies where—
 - (a) a person (“S”) transfers plant or machinery to another person (“B”),
 - (b) at any time after the date of the transfer, the plant or machinery is available to be used by S, or a person (other than B) who is connected with S (“CS”),
 - (c) it is available to be so used under a contract which provides that S or CS is to or may become the owner of the plant or machinery on the performance of the contract, and
 - (d) S or CS incurs capital expenditure on the provision of the plant or machinery under that contract.
- (2) No annual investment allowance or first-year allowance is to be made in respect of the expenditure of S or CS under the contract.
- (3) The amount, if any, by which E exceeds D is to be left out of account in determining the available qualifying expenditure of S or CS.
- (4) E is the capital expenditure of S or CS on the provision of the plant or machinery under the contract referred to in subsection (1)(c).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 229A. (See end of Document for details)

- (5) If S is required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), D is that disposal value.
- [D is nil if—
- ^{F2}(5A) (a) S is not required to bring a disposal value into account under this Part because of the transfer referred to in subsection (1)(a), and
- (b) at any time before that transfer S or a linked person became owner of the plant or machinery without incurring either capital expenditure or qualifying revenue expenditure on its provision.]
- (6) Otherwise, D is whichever of the following is the smallest—
- (a) the market value of the plant or machinery;
- (b) if S incurred capital expenditure on the provision of the plant or machinery before the transfer referred to in subsection (1)(a), the amount of that expenditure;
- (c) if a person connected with S incurred capital expenditure on the provision of the plant or machinery before that transfer, the amount of that expenditure.
- (7) Sections 214 and 215 do not apply in relation to the contract referred to in subsection (1)(c).
- (8) Section 70Y(3) applies to references in this section to a transfer of plant or machinery by a person.
- (9) For the purposes of this section a transfer involving the grant of a lease takes place on the commencement of the term of the lease.
- [Linked person”, in relation to plant or machinery, means a person—
- ^{F3}(10) (a) who owned the plant or machinery at any time before the transfer referred to in subsection (1)(a), and
- (b) who was connected with S at any time between—
- (i) the time when the person became owner of the plant or machinery, and
- (ii) the time of the transfer referred to in subsection (1)(a).
- (11) Expenditure on the provision of plant or machinery is “qualifying revenue expenditure” if it is expenditure of a revenue nature—
- (a) that is at least equal to the amount of expenditure that would reasonably be expected to have been incurred on the provision of the plant or machinery in a transaction between persons dealing with each other at arm's length in the open market, or
- (b) that is incurred by the manufacturer of the plant or machinery and is at least equal to the amount that it would have been reasonable to expect to have been the normal cost of manufacturing the plant or machinery.]]

Textual Amendments

- F1** S. 229A inserted (with effect in accordance with Sch. 32 para. 22 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 21](#)
- F2** S. 229A(5A) inserted (with effect in accordance with Sch. 10 para. 4(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 10 para. 4\(2\)](#)
- F3** S. 229A(10)(11) inserted (with effect in accordance with Sch. 10 para. 4(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 10 para. 4\(3\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 229A.