



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 20

SUPPLEMENTARY PROVISIONS

Partnerships and successions

266 Election where predecessor and successor are connected persons

- (1) This section applies if a person (“the successor”) succeeds to a qualifying activity which was until that time carried on by another person (“the predecessor”) and—
 - (a) the two persons are connected with each other,
 - (b) each of them is within the charge to tax on the profits of the qualifying activity, and
 - (c) the successor is not a dual resident investing company.
- (2) If this section applies, the predecessor and the successor may jointly elect for the provisions of section 267 to have effect.
- (3) The election may be made whether or not any plant or machinery has actually been sold or transferred.
- (4) The election must be made by notice to the [^{F1}an officer of Revenue and Customs] within 2 years after the date on which the succession takes effect.
- (5) For the purposes of this section, the predecessor and the successor are connected with each other if any of the following conditions is met—
 - (a) they would be treated as connected persons under [^{F2}section 575];

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 266. (See end of Document for details)

- (b) one of them is a partnership and the other has the right to a share in that partnership;
 - (c) one of them is a body corporate and the other has control over that body;
 - (d) both of them are partnerships and another person has the right to a share in both of them;
 - (e) both of them are bodies corporate, or one of them is a partnership and the other is a body corporate, and (in either case) another person has control over both of them.
- (6) In subsection (5) any reference to a right to a share in a partnership is to be read as a reference to a right to a share of the assets or income of the partnership.
- (7) Sections [^{F3}104E], 108 and 265 (disposal value [^{F4}in connection with special rate expenditure], effect of disposal to connected person on overseas leasing pool and general provisions about successions) do not apply if an election is made under this section [^{F5}(but see section 267A)].
- (8) This section does not apply if section 561 applies ([^{F6}transfer or division of UK business]).

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F2** Words in s. 266(5)(a) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 405](#) (with [Sch. 2](#))
- F3** Word in s. 266(7) substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 26 para. 12\(a\)](#)
- F4** Words in s. 266(7) substituted (with effect in accordance with Sch. 26 para. 14 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 26 para. 12\(b\)](#)
- F5** Words in s. 266(7) inserted (with effect in accordance with s. 85(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), s. 85(2)
- F6** Words in s. 266(8) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, [10\(3\)](#) (with regs. 39-41); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 266.