# Capital Allowances Act 2001

## 2001 CHAPTER 2

### [[F1]PART 3

INDUSTRIAL BUILDINGS ALLOWANCES

### CHAPTER 4

QUALIFYING EXPENDITURE

*Qualifying enterprise zone expenditure*

### [[F1]301 Purchase of building within 2 years of first use

(1) This section applies if—

(a) expenditure is incurred on the construction of an EZ building,

(b) all the expenditure is incurred within the time limit,

(c) the relevant interest in the building is sold—

(i) after the building has been used, but

(ii) within the period of 2 years beginning with the date on which the building was first used, and

(d) that sale ("the relevant sale") is the first sale in that period after the building has been used.

(2) If this section applies—

(a) any balancing adjustment which falls to be made on the occasion of the relevant sale is to be made, and

(b) the residue of qualifying expenditure immediately after the relevant sale is to be disregarded for the purposes of this Part.

(3) If a capital sum is paid by the purchaser for the relevant interest on the relevant sale—

(a) the purchaser is to be treated as having incurred qualifying expenditure that is qualifying enterprise zone expenditure of an amount given in subsection (4), (6) or (7), and

(b) in relation to that qualifying enterprise zone expenditure, this Part applies as if the building had not been used before the date of the relevant sale.

(4) Unless subsection (6) or (7) applies, the amount of the qualifying enterprise zone expenditure is the lesser of—

(a) the capital sum paid by the purchaser for the relevant interest on the relevant sale, and

(b) the expenditure incurred on the construction of the building.

(5) Subsections (6) and (7) apply if—

(a) the expenditure incurred on the construction of the EZ building was incurred by a developer, and

(b) the relevant interest in the building has been sold by the developer in the course of the development trade.

(6) If the sale by the developer is the relevant sale, the amount of the qualifying enterprise zone expenditure is the capital sum paid by the purchaser for the relevant interest on that sale.

(7) If the sale by the developer is not the relevant sale, the amount of the qualifying enterprise zone expenditure is the lesser of—

(a) the capital sum paid by the purchaser for the relevant interest on the relevant sale, and

(b) the price paid for the relevant interest on its sale by the developer.

(8) The qualifying expenditure is to be treated as incurred when the capital sum on the relevant sale became payable.**]**

**Textual Amendments**

**F1** Pt. 3 omitted (with effect in relation to chargeable periods beginning on or after 1.4.2011 for corporation tax purposes and 6.4.2011 for income tax purposes in accordance with ss. 84(1)(3)(4), 85, 86 of the amending Act) by virtue of Finance Act 2008 (c. 9), **s. 84(2)** (with Sch. 27)

**Changes to legislation:**
There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 301.