



Capital Allowances Act 2001

2001 CHAPTER 2

PART 1

INTRODUCTION

CHAPTER 1

CAPITAL ALLOWANCES: GENERAL

5 When capital expenditure is incurred

- (1) For the purposes of this Act, the general rule is that an amount of capital expenditure is to be treated as incurred as soon as there is an unconditional obligation to pay it.
- (2) The general rule applies even if the whole or a part of the expenditure is not required to be paid until a later date.
- (3) There are the following exceptions to the general rule.
- (4) If under an agreement—
 - (a) the capital expenditure is expenditure on the provision of an asset,
 - (b) an unconditional obligation to pay an amount of the expenditure comes into being as a result of the giving of a certificate or any other event,
 - (c) the giving of the certificate, or other event, occurs within the period of one month after the end of a chargeable period, and
 - (d) at or before the end of that chargeable period, the asset has become the property of, or is otherwise under the agreement attributed to, the person subject to the unconditional obligation to pay,the expenditure is to be treated as incurred immediately before the end of that chargeable period.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 5. (See end of Document for details)

- (5) If under an agreement an amount of capital expenditure is not required to be paid until a date more than 4 months after the unconditional obligation to pay has come into being, the amount is to be treated as incurred on that date.
- (6) If under an agreement—
- (a) there is an unconditional obligation to pay an amount of capital expenditure on a date earlier than accords with normal commercial usage, and
 - (b) the sole or main benefit which might have been expected to be obtained thereby is that the amount would be treated, under the general rule, as incurred in an earlier chargeable period,
- the amount is to be treated as incurred on the date on or before which it is required to be paid.
- (7) This section—
- (a) is subject to any provision of this Act which has the effect that expenditure is to be treated as incurred on a date later than would result from the application of this section, and
 - (b) does not apply to expenditure treated as incurred as a result of a person incurring an additional VAT liability.

Modifications etc. (not altering text)

- C1** S. 5 applied by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 356JA](#) (as inserted (with effect in accordance with Sch. 15 paras. 6(1), 9(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 15 para. 3](#))
- C2** S. 5 applied by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 356JN\(1\)](#) (as inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 13 para. 2](#))
- C3** S. 5 applied by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 332K\(1\)](#) (as inserted (with effect in accordance with Sch. 12 paras. 5, 7, 8 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 12 para. 2](#))
- C4** S. 5 excluded (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [s. 9\(7\)\(a\)](#)
- C5** S. 5 applied (14.7.2022) by [Energy \(Oil and Gas\) Profits Levy Act 2022 \(c. 40\)](#), [s. 7\(1\)\(a\)](#) (with ss. 15(1), 16(1))
- C6** S. 5 applied (14.7.2022) by [Energy \(Oil and Gas\) Profits Levy Act 2022 \(c. 40\)](#), [s. 17\(2\)](#) (with ss. 15(1), 16(1), 17)
- C7** S. 5(1)-(5) applied (with modifications) by 1998 c. 48, s. 42(8B) (as inserted (2.12.2004 retrospective) by [Finance Act 2005 \(c. 7\)](#), [Sch. 3 para. 9\(4\)\(5\)](#) (with Sch. 3 para. 9(6)(8)(9)))

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 5.