

Restriction of losses by reference to capital allowances and renewals allowances. CGTA75 s51(1) and Sch1 par 5(1), (2) and (4) 555.—(1) Section 554 shall not require the exclusion from the sums allowable as a deduction under section 552 of any expenditure as being expenditure in respect of which a capital allowance or renewals allowance is made but, in the computation of the amount of a loss accruing to the person making the disposal, there shall be excluded from the sums allowable as a deduction any expenditure to the extent to which any capital allowance or renewals allowance has been or may be made in respect of that expenditure.

(2) Where the person making the disposal acquired the asset—

(a) by a transfer to which section 289 (6) or 295 applies, or

(b) by a transfer by means of a sale in relation to which an election under section 312 (5) was made,

then, this section shall apply as if any capital allowance made to the transferor in respect of the asset had (except in so far as any loss to the transferor was restricted under those sections) been made to the person making the disposal (being the transferee) and, where the transferor acquired the asset by such a transfer, capital allowances which by virtue of this subsection may be taken into account in relation to the transferor shall also be taken into account in relation to the transferee, and so on for any series of transfers before the disposal.

(3) The amount of capital allowances to be taken into account under this section in relation to a disposal includes any allowances to be made by reference to the event which is the disposal, and there shall be deducted from the amount of the allowances the amount of any balancing charge to which effect has been or is to be given by reference to the event which is the disposal, or any earlier event, and of any balancing charge to which effect might have been so given but for the making of an election under section 290.