

Allowances for capital expenditure on scientific research. ITA67 s244(3), (4), (5), (6) and (7); CTA76 s21(1) and Sch1 par9; FA80 s17(3); FA96 s132(2) and Sch5 PtlI 765.—(1) Where a person—

- (a) incurs capital expenditure on scientific research,
- (b) (i) is then carrying on a trade to which such expenditure relates, or
- (ii) subsequently sets up and commences a trade which is related to such research,
- (c) applies to the inspector for an allowance under this subsection in respect of such expenditure, and
- (d) so applies—

(i) in the case where the expenditure was incurred while carrying on the trade, within 24 months after the end of the chargeable period in which it was incurred, or

(ii) in the case where the expenditure was incurred before the setting up and commencement of the trade, within 24 months after the end of the chargeable period in which the trade was set up and commenced,

then, subject to this section, there shall be made in taxing the trade for the chargeable period mentioned in whichever of subparagraphs (i) and (ii) of paragraph (d) is applicable an allowance equal to the amount of the expenditure.

(2) Where a person carrying on a trade incurs capital expenditure on scientific research in respect of which an allowance may not be made under subsection (1) because the scientific research is not related to any trade being carried on by that person, there shall be made in taxing that person's trade for the chargeable period in which the expenditure was incurred an allowance equal to the amount of the expenditure.

(3) Where an asset representing capital expenditure on scientific research ceases at any time from any cause whatever to be used for such research, relating to the trade carried on by the person who incurred the expenditure, then—

(a) an amount equal to the allowance made under this section in respect of that expenditure, or, if the value of the asset immediately before the cessation is less than that allowance, equal to that value, shall be treated as a trading receipt of the trade accruing immediately before the cessation, and

(b) in the application of section 284 to an allowance made in respect of the asset for any chargeable period after that in which the cessation takes place, the actual cost of the asset shall be treated as being reduced by the amount of the allowance effectively made.

(4) Where an allowance under this section is made to a person for any chargeable period in respect of expenditure represented wholly or partly by assets, no allowance in respect of those assets shall be made to that person under section 85 or 284 for that chargeable period.

(5) Section 304 (4) shall apply in relation to an allowance under subsection (1) or (2) as it applies in relation to allowances to be made under Part 9.