

Capital allowances for cars costing over certain amount. FA73 s25; CTA76 s21(1) and Sch1 par62; FA97 s146(1) and Sch9 Ptl par6(1) 374.—(1) In relation to a vehicle to which this Part applies, section 284 shall apply as if, for the purpose of subsection (3) of that section, the actual cost of the vehicle were taken to be the specified amount where the expenditure incurred on the provision of the vehicle exceeded that amount and, where an allowance which apart from this subsection would be made under section 284 is to be reduced by virtue of this subsection, any reference in the Tax Acts to an allowance made under section 284 shall be construed as a reference to that allowance as reduced under this subsection.

(2) In relation to a vehicle to which this Part applies, the allowances under section 284 to be taken into account for the purposes of Chapter 2 of Part 9 in computing the amount of expenditure still unallowed at any time shall be limited to those computed in accordance with subsection (1), and the expenditure incurred on the provision of the vehicle to be taken into account for the purposes of that Chapter shall be limited to the specified amount.

(3) Where the expenditure incurred on the provision of a vehicle to which this Part applies exceeds the specified amount, any balancing allowance or balancing charge shall be computed, in a case where there are sale, insurance, salvage or compensation moneys, as if the amount of those moneys (or, where in consequence of any provision of the Tax Acts other than this subsection some other amount is to be treated as the amount of those moneys, that other amount) were reduced in the proportion which the specified amount bears to the actual amount of that expenditure.

(4) (a) Where the expenditure incurred on the provision of a vehicle to which this Part applies exceeds the specified amount and—

(i) the person providing the vehicle (in this section referred to as “the prior owner”) sells the vehicle or gives it away so that subsection (5) of section 289, or that subsection as applied by subsection (6) of that section, applies in relation to the purchaser or donee,

(ii) the prior owner sells the vehicle and the sale is a sale to which section 312 applies, or

(iii) in consequence of a succession to the trade or profession of the prior owner, section 313 (1) applies, then, in relation to the purchaser, donee or successor, the price which the vehicle would have fetched if sold in the open market or the expenditure incurred by the prior owner on the provision of the vehicle shall be treated for the purposes of section 289, 312 or 313 as reduced in the proportion which the specified amount bears to the actual amount of that expenditure, and, in the application of subsection (3) to the purchaser, donee or successor, references to the expenditure incurred on the provision of the vehicle shall be construed as references to the expenditure so incurred by the prior owner.

(b) Where paragraph (a) has applied on any occasion in relation to a vehicle, and no sale or gift of the vehicle has since occurred other than one to which either section 289 or 312 applies, then, in relation to all persons concerned, the like consequences under paragraph (a) shall ensue as respects a gift, sale or succession within subparagraphs (i) to (iii) of that paragraph which occurs on any subsequent occasion as would ensue if the person who in relation to that sale, gift or succession is the prior owner had incurred

expenditure on the provision of the vehicle of an amount equal to the expenditure so incurred by the person who was the prior owner on the first-mentioned occasion.

(5) In the application of section 290 to a case where the vehicle is the new machinery or plant referred to in that subsection, the expenditure shall be disregarded in so far as it exceeds the specified amount, but without prejudice to the application of subsections (1) to (4) to the vehicle.

(6) Where the capital expenditure incurred on the provision of a vehicle exceeds the specified amount but under section 317 (2) any part of that expenditure is to be treated as not having been incurred by a person, the amount which (subject to subsections (1) to (5)) is to be treated for the purposes of Part 9 as having been incurred by that person shall be reduced in the proportion which the specified amount bears to the capital expenditure incurred on the provision of the vehicle.