Option in case of replacement. ITA67 s273(1) 290.—Where machinery or plant, in the case of which any of the events mentioned in section 288 (1) has occurred, is replaced by the owner of the machinery or plant and a balancing charge is to be made on that owner by reason of that event, or but for this section a balancing charge would have been made on that owner by reason of that event, then, if by notice in writing to the inspector that owner so elects, the following provisions shall apply:

    (a) if the amount on which the charge would have been made is greater than the capital expenditure on providing the new machinery or plant—

    (i) the charge shall be made only on an amount equal to the difference,

    (ii) no initial allowance, no balancing allowance and no wear and tear allowance shall be made in respect of the new machinery or plant or the expenditure on the provision of the new machinery or plant, and

    (iii) in considering whether any, and if so what, balancing charge is to be made in respect of the expenditure on the new machinery or plant, there shall be deemed to have been made in respect of that expenditure an initial allowance equal to the full amount of that expenditure;

    (b) if the capital expenditure on providing the new machinery or plant is equal to or greater than the amount on which the charge would have been made—

    (i) the charge shall not be made,

    (ii) the amount of any initial allowance in respect of that expenditure and the amount of any wear and tear allowance shall be calculated as if the expenditure had been reduced by the amount on which the charge would have been made, and

    (iii) in considering whether any, and if so what, balancing allowance or balancing charge is to be made in respect of the new machinery or plant, there shall be deemed to have been granted in respect of the new machinery or plant an initial allowance equal to the amount on which the charge would have been made, in addition to any initial allowance actually granted in respect of the new machinery or plant.