

Annual allowances for capital expenditure on purchase of patent rights. ITA67 s285; CTA76 s21(1) and Sch1 par36 755.—(1) Where a person incurs capital expenditure on the purchase of patent rights, there shall, subject to and in accordance with this Chapter, be made to that person writing-down allowances in respect of that expenditure during the writing-down period; but no writing-down allowance shall be made to a person in respect of any expenditure unless—

- (a) the allowance is to be made to the person in taxing the person's trade, or
- (b) any income receivable by the person in respect of the rights would be liable to tax.

(2) (a) Subject to paragraphs (b) to (d), the writing-down period shall be the 17 years beginning with the chargeable period related to the expenditure.

(b) Where the patent rights are purchased for a specified period, paragraph (a) shall apply with the substitution for the reference to 17 years of a reference to 17 years or the number of years comprised within that period, whichever is the less.

(c) Where the patent rights purchased begin one complete year or more after the commencement of the patent and paragraph (b) does not apply, paragraph (a) shall apply with the substitution for the reference to 17 years of a reference to 17 years less the number of complete years which, when the rights begin, have elapsed since the commencement of the patent or, if 17 complete years have so elapsed, of a reference to one year.

(d) For the purposes of this subsection, any expenditure incurred for the purposes of a trade by a person about to carry on the trade shall be treated as if that expenditure had been incurred by that person on the first day on which that person carries on the trade unless before that first day that person has sold all the patent rights on the purchase of which the expenditure was incurred.