HMRC - CTM08240 - Capital V Revenue

It was widely accepted for many years that capital expenditure could not be an expense of management. However, following the case of Camas PLC v Atkinson TL3728 it is now clear that capital expenditure incurred in periods up to 31 March 2004 can be eligible for relief if it is an expense of management. The decision does not bring all capital expenditure within the management expenses net, only that expenditure which as well as being capital in nature is also an expense of management.

There is therefore a considerable divergence between the position in respect of capital expenditure for a trading company and that for an investment company for periods up to 31 March 2004.

For expenditure in accounting periods starting on or after 1 April 2004 (and deemed second periods for straddling accounting periods) the position has been aligned with that of trading companies. A specific capital exclusion was introduced in FA04, which is now at CTA09/S1219 (3)(a) (CTM08250).

There is guidance on where the capital/revenue divide falls at BIM35000 onwards and where the dividing line might fall in the specific context of acquisitions and disposals for investment companies/companies with investment business at CTM08260. The case law for Case I purposes will also apply to consideration of what is capital or revenue expenditure in the management expenses context.

Previous page

Next page