

SCHEDULES

SCHEDULE 12

LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS

PART I

LEASING ARRANGEMENTS WHERE ANY OF THE RETURN ON INVESTMENT IS IN CAPITAL FORM

Relief for bad debts etc: cumulative normal rental excess

- 10 (1) If, in the case of the lease, for any period of account—
- (a) the accountancy rental earnings do not exceed the normal rent,
 - (b) a bad debt deduction falls to be made in respect of rent from the lease,
 - (c) the amount of the bad debt deduction exceeds the amount of the normal rent, and
 - (d) there is a cumulative normal rental excess,
- the cumulative normal rental excess for the period of account shall be reduced (but not below nil) by the amount by which the bad debt deduction exceeds the normal rent.
- (2) If, in the case of the lease, for any period of account—
- (a) the accountancy rental earnings exceed the normal rent,
 - (b) a bad debt deduction falls to be made in respect of rent from the lease, and
 - (c) there is a cumulative normal rental excess for that period of account,
- sub-paragraph (3) below shall apply.
- (3) Where this sub-paragraph applies, the amount of the cumulative normal rental excess which may be set against the taxable rent for the period of account shall not exceed the amount (if any) by which the accountancy rental earnings exceed the bad debt deduction (and, if the accountancy rental earnings do not exceed the bad debt deduction, shall be nil).
- (4) If, in a case where sub-paragraph (3) above applies, the bad debt deduction exceeds the accountancy rental earnings for the period of account, the cumulative normal rental excess for the period of account shall be reduced (but not below nil) by the amount by which the bad debt deduction exceeds the accountancy rental earnings.
- (5) Where—
- (a) the cumulative normal rental excess for any period of account of the current lessor has been reduced under sub-paragraph (1) or (4) above by reason of a bad debt deduction, but
 - (b) in a subsequent period of account of his, an amount (“the relevant credit”) is recovered or credited in respect of the amount which constituted the bad debt deduction,

Status: This is the original version (as it was originally enacted).

the cumulative normal rental excess (if any) for the period of account mentioned in paragraph (b) above shall, subject to sub-paragraph (6) below, be increased by the relevant credit.

(6) If, in a case falling within sub-paragraph (5) above,—

- (a) the relevant credit, exceeds
- (b) the aggregate of the reductions falling within paragraph (a) of that sub-paragraph,

the amount of the increase under that sub-paragraph shall not exceed that aggregate.

(7) In this paragraph—

“bad debt deduction”, in relation to a period of account, means the aggregate of any sums falling within sub-paragraph (i), (ii) or (iii) of section 74(1)(j) of the Taxes Act 1988 in respect of amounts in respect of rents from the lease of the asset which are deductible as expenses for that period, whether by virtue of paragraph 8(4) above or otherwise;

“taxable rent” has the same meaning as in paragraph 6 above.