



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 17

[^{F1}OTHER ANTI-AVOIDANCE]

[^{F2}Disposal of plant or machinery subject to lease where income retained

[^{F2}228L Determining the net present value of the rentals for purposes of s.228K

- (1) For the purposes of section 228K, the amount of the net present value of the rentals is calculated as follows—

Step 1

Find the amount (“RI”) of each rental payment—

- (a) which is payable at any time during the term of the lease, and
- (b) which is payable on or after the relevant day.

Step 2

For each rental payment find the day (“the payment day”) on which it becomes payable.

Step 3

For each rental payment find the number of days in the period (“P”) which—

- (a) begins with the relevant day, and
- (b) ends with the payment day.

Step 4

Calculate the net present value of each payment (“NPVRI”) by applying the following formula—

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 228L. (See end of Document for details)

$$\frac{RI}{(1 + T)^i}$$

where—

T is the temporal discount rate, and
 i is the number of days in P divided by 365.

Step 5

Add together each amount of NPVRI determined under step 4.

- (2) For the purposes of this section the “term” of a lease has the meaning given in Chapter 6A of this Part.
- (3) For the purposes of this section the “temporal discount rate” is 3.5% or such other rate as may be specified by regulations made by the Treasury.
- (4) The regulations may make such provision as is mentioned in subsection (3)(b) to (f) of section 178 of FA 1989 (power of Treasury to set rates of interest).
- (5) Subsection (5) of that section (power of Commissioners to specify rate by order in certain circumstances) applies in relation to regulations under this section as it applies in relation to regulations under that section.]

Textual Amendments

F2 Ss. 228K-228M and cross-heading inserted (with effect in accordance with s. 84(5)(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), s. 84(3)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 228L.