



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 6

HIRE-PURCHASE ETC. AND PLANT OR MACHINERY PROVIDED BY LESSEE

[^{F1}Lessees under long funding leases

[^{F1}70C Long funding finance lease: amount of capital expenditure

- (1) This section has effect by virtue of section 70A(7) for the purpose of determining the amount of the capital expenditure in the case of a long funding finance lease.
- (2) If the lease is one which, under generally accepted accounting practice, falls (or would fall) to be treated as a loan, this section applies as if the lease were one which, under generally accepted accounting practice, fell to be treated as a finance lease.
- (3) The amount of the capital expenditure is the total of—
 - (a) commencement PVMLP (see subsection (4)), and
 - (b) if subsection (6) applies, the unrelievable pre-commencement rentals (“UPR”),but subject, in a case falling within subsection (7), to the restriction imposed by subsection (8).
- (4) Commencement PVMLP is the amount that would fall to be recognised as the present value, at the appropriate date, of the minimum lease payments (see section 70YE) if appropriate accounts were prepared by the person.

[But where the minimum lease payments include a relievable amount, the present value ^{F2}(4A) of that amount must be excluded in determining the commencement PVMLP.

*Changes to legislation: There are currently no known outstanding effects for the
 Capital Allowances Act 2001, Section 70C. (See end of Document for details)*

- (4B) An amount (“amount X”) is a relievable amount if—
- (a) an arrangement is in place under which all or part of any residual amount (as defined in section 70YE) is guaranteed by the lessee or a person connected with the lessee,
 - (b) amount X is within the minimum lease payments because of that arrangement (see subsection (1)(a) of that section), and
 - (c) it is reasonable to assume that, were amount X to be incurred under the arrangement, relief would be available as a result (beyond relief, by virtue of this section and section 70E, because amount X is within those minimum lease payments).
- (4C) In deciding for the purposes of subsection (4B)(c) whether relief would be available as a result, no account is to be taken of—
- (a) any part of the arrangement other than the part by virtue of which all or part of the residual amount is guaranteed, or
 - (b) any other arrangement connected with the arrangement or forming part of a set of arrangements that includes the arrangement.]
- (5) For the purposes of subsection (4)—
- “appropriate accounts” are accounts prepared in accordance with generally accepted accounting practice on the date on which that amount is first recognised in the books or other financial records of the person;
- “the appropriate date” is the later of—
- (a) the commencement of the term of the lease;
 - (b) the date on which the plant or machinery is first brought into use for the purposes of the qualifying activity.
- (6) This subsection applies if—
- (a) the person has paid rentals under the lease before the commencement of the term of the lease, and
 - (b) in the case of some or all of those rentals, relief otherwise than by virtue of this subsection—
 - (i) is not available, and
 - (ii) if the case is one where the plant or machinery was not used for the purposes of a qualifying activity in the period before the commencement of the term of the lease, would not have been available had the plant or machinery been used in that period for the purposes of a qualifying activity,

and in any such case UPR is the amount of the rentals for which relief is not, and (in a case falling within paragraph (b)(ii)) would not have been, so available.
- (7) Subsection (8) applies if the main purpose, or one of the main purposes, of entering into—
- (a) the lease,
 - (b) a series of transactions of which the lease is one, or
 - (c) any of the transactions in such a series,
- is to obtain allowances under this Part in respect of an amount of capital expenditure that materially exceeds the market value of the leased asset at the commencement of the term of the lease.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 70C. (See end of Document for details)

- (8) In any such case, the amount of the capital expenditure described in subsection (3) is to be restricted to an amount equal to the market value of the asset at the commencement of the term of the lease.
- (9) In this section “relief” means relief by way of—
- (a) an allowance under this Act,
 - (b) a deduction in computing profits for the purposes of income tax or corporation tax,
 - (c) a deduction from total profits or total income for the purposes of either of those taxes.
- (10) This section is to be construed as one with section 70A.]

Textual Amendments

- F1** Ss. 70A-70E and cross-heading inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 8 para. 6](#)
- F2** S. 70C(4A)-(4C) inserted (with effect in accordance with s. 33(6) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [s. 33\(2\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 70C.