



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

[^{F1}CHAPTER 6A

INTERPRETATION OF PROVISIONS ABOUT LONG FUNDING LEASES

Transfers, assignments, novations, leaseback, variations etc

[^{F1}70YA Change in accountancy classification of long funding lease

- (1) This section applies in any case where—
 - (a) a person is lessor or lessee under a long funding lease, and
 - (b) at any time after the inception of the lease, the accountancy classification of the lease as a finance lease^[F2], an operating lease or a right-of-use lease] changes in the relevant accounts.
- (2) The person is to be treated as if—
 - (a) the lease had terminated immediately before the time of the change,
 - (b) another lease (the “new lease”) had been entered into immediately after the time of the change, and
 - (c) the new lease were a long funding lease in the case of the lessor.
- (3) The person is also to be treated as if the date on which the change occurs were the date of both—
 - (a) the inception of the new lease, and
 - (b) the commencement of the term of the new lease.

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

- (4) The cases where the accountancy classification of a long funding lease as a finance lease^{F3}, an operating lease or a right-of-use lease] changes at any time (the “relevant time”) in the relevant accounts are those set out in subsections (5) [F4to (6A)].
- (5) Case 1 is where—
- (a) immediately before the relevant time, the lease is one that falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as a finance lease for accounting purposes, ^{F5}...
 - (b) at the relevant time the lease becomes one that falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as not being a finance lease for accounting purposes [F6and
 - (c) the change of classification is not a relevant change of classification.]
- (6) Case 2 is where—
- (a) immediately before the relevant time, the lease is one that falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as not being a finance lease for accounting purposes, ^{F7}...
 - (b) at the relevant time the lease becomes one that falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as a finance lease for accounting purposes [F8and
 - (c) the change of classification is not a relevant change of classification.]
- [Case 3 is where—
- ^{F9}(6A) (a) immediately before the relevant time, the lease is a right-of-use lease which is a long funding finance lease, and
- (b) at the relevant time, the lease becomes one which—
 - (i) is not a right-of use lease, and
 - (ii) falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as not being a finance lease.]
- (7) The Treasury may by regulations make provision for or in connection with restricting the application or operation of this section.
- (8) In this section, any reference to a finance lease includes a reference to a loan.
- (9) In the application of this section in relation to any person, the “relevant accounts” are the accounts—
- (a) of that person, or
 - (b) where that person is the lessor, of any person connected with that person,
- but only to the extent that the treatment of the lease in those accounts as a finance lease or otherwise falls (or would fall) to be determined by reference to that person as the lessor or lessee under the lease.
- (10) Subsections (2) and (3) of section 70N (finance lease test: group accounts, and generally accepted accounting practice for persons outside the charge to tax) also apply for the purposes of this section.
- [In this section—
- ^{F10}(11) “relevant change of classification” means a change of accountancy classification as a result of the person adopting a different accounting standard or a change to an accounting standard, and

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“accounting standard” means any accounting standard issued or recognised by—

- (a) the Accounting Standards Board (or successor body), or
- (b) the International Accounting Standards Board (or successor body).]]

Textual Amendments

- F1** Pt. 2 Ch. 6A inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 7**
- F2** Words in s. 70YA(1)(b) substituted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(a)**
- F3** Words in s. 70YA(4) substituted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(b)(i)**
- F4** Words in s. 70YA(4) substituted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(b)(ii)**
- F5** Word in s. 70YA(5)(a) omitted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(c)(i)**
- F6** S. 70YA(5)(c) and preceding word inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(c)(ii)**
- F7** Word in s. 70YA(6)(a) omitted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(d)(i)**
- F8** S. 70YA(6)(c) and preceding word inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(d)(ii)**
- F9** S. 70YA(6A) inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(e)**
- F10** S. 70YA(11) inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(4)(f)**

Changes to legislation:

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