



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 2

#### PLANT AND MACHINERY ALLOWANCES

#### [<sup>F1</sup>CHAPTER 6A

#### INTERPRETATION OF PROVISIONS ABOUT LONG FUNDING LEASES

#### *Interpretation*

#### [<sup>F1</sup>70YF The “term” of a lease

- (1) The term of a lease is the period comprising—
  - (a) so much of the post-commencement period as is a non-cancellable period, and
  - (b) any subsequent periods which meet the conditions in subsection (2).
- (2) The conditions are that—
  - (a) the lessee has an option to continue to lease the asset for the period (whether with or without further payment), and
  - (b) it is reasonably certain, at the inception of the lease, that the lessee will exercise that option.
- (3) The “post-commencement period” is so much of the period of the lease as begins with the commencement of the term of the lease.
- (4) A “non-cancellable period” is any period during which the lessee may terminate the lease only—
  - (a) upon the occurrence of some remote contingency, or
  - (b) upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.
- (5) If, at the commencement of the term of the lease,—

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

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- (a) the market value of the asset exceeds £1 million, and
- (b) the estimated market value of the asset [<sup>F2</sup>7] years after the commencement of the term of the lease is more than half of the market value of the asset at the commencement of the term of the lease,

subsection (6) applies.

- (6) If, in any such case, the term of the lease (apart from this subsection) would be [<sup>F3</sup>7] years or less, but—

- (a) the lessee has one or more options to continue to lease the asset,
- (b) on the assumption that it is reasonably certain, at the inception of the lease, that the lessee will exercise those options, the term of the lease would exceed 7 years, and
- (c) on failing to exercise any one of those options, the lessee may be required to make a payment to the lessor,

it is to be assumed for the purposes of this section that any option to continue to lease the asset will be exercised, unless it is reasonably certain, at the inception of the lease, that the option will not be exercised.

<sup>F4</sup>(7) .....

- (8) See also section 70YC(5) (extension, for certain purposes, of term of lease that is not a long funding lease).]

#### **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** Word in s. 70YF(5)(b) substituted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 8(2)(a)**
- F3** Word in s. 70YF(6) substituted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 8(2)(b)**
- F4** S. 70YF(7) omitted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 8(2)(c)**

**Changes to legislation:**

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