



Corporation Tax Act 2010

2010 CHAPTER 4

PART 21

LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS

CHAPTER 2

FINANCE LEASES WITH RETURN IN CAPITAL FORM

Reduction of taxable rent by cumulative rental excesses

906 Reduction of taxable rent by cumulative rental excesses: introduction

- (1) This section and sections 907 to 910 provide for reductions of the taxable rent of a current lessor (“L”) under a lease to which this Chapter applies.
- (2) In this section and sections 907 to 910 “taxable rent”, in relation to a period of account of L, means the amount that would, apart from those sections, be treated for corporation tax purposes as rent from the lease that arises to L in that period of account for the purpose of determining L's liability to tax for the related accounting period or periods.
- (3) The reductions of taxable rent under sections 907 to 910 depend on there being—
 - (a) a cumulative accountancy rental excess for the period of account of L in question, or
 - (b) a cumulative normal rental excess for the period of account of L in question.
- (4) For the meaning of “cumulative accountancy rental excess” and “cumulative normal rental excess”, see sections 907 and 909 respectively.

*Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010,
 Cross Heading: Reduction of taxable rent by cumulative rental excesses. (See end of Document for details)*

907 Meaning of “accountancy rental excess” and “cumulative accountancy rental excess”

- (1) For the purposes of this Chapter, there is an “accountancy rental excess” in relation to the lease for a period of account of the current lessor (“L”) if the taxable rent in relation to the lease for the period is as a result of section 905 (current lessor taxed by reference to accountancy rental earnings) an amount equal to the accountancy rental earnings.
- (2) The amount of the accountancy rental excess for the period is equal to the difference between the accountancy rental earnings for the period and the normal rent for the period.
- (3) But if the taxable rent for the period is reduced under section 910 (reduction of taxable rent by the cumulative normal rental excess), there is only an accountancy rental excess for the period if—
 - (a) the accountancy rental earnings, reduced by an amount equal to the reduction under that section, exceed
 - (b) the normal rent.
- (4) And in that case the amount of the accountancy rental excess for the period is equal to that excess.
- (5) In this Chapter the “cumulative accountancy rental excess”, in relation to the lease and a period of account of L, means so much of the total of the accountancy rental excesses for previous periods of account of L (as increased under section 912: recovery of bad debts following reduction under section 911) as has not been—
 - (a) set off under section 908 (reduction of taxable rent by the cumulative accountancy rental excess) against the taxable rent for any such previous period,
 - (b) reduced under section 911 (relief for bad debts: reduction of cumulative accountancy rental excess), or
 - (c) set off under section 37A of TCGA 1992 (consideration on disposal of certain leases) against the consideration for a disposal.

908 Reduction of taxable rent by the cumulative accountancy rental excess

- (1) This section applies if a period of account of the current lessor (“L”) is one for which—
 - (a) the normal rent in relation to the lease exceeds the accountancy rental earnings, and
 - (b) there is a cumulative accountancy rental excess.
- (2) The taxable rent for the period of account is reduced by setting against it the cumulative accountancy rental excess (but not so as to reduce that rent below the amount of the accountancy rental earnings).
- (3) But see section 911(3) and (4) (under which the amount of the cumulative accountancy rental excess which may be set against the taxable rent is limited in some circumstances).

909 Meaning of “normal rental excess” and “cumulative normal rental excess”

- (1) For the purposes of this Chapter, there is a “normal rental excess” in relation to a lease for any period of account of the current lessor (“L”) throughout which the leasing

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arrangements fall for accounting purposes to be treated, in accordance with generally accepted accounting practice, as a finance lease or loan if—

- (a) the normal rent for the period, exceeds
 - (b) the accountancy rental earnings for the period.
- (2) The amount of the normal rental excess for that period is equal to that excess.
- (3) But if the taxable rent for the period is reduced under section 908 (reduction of taxable rent by the cumulative accountancy rental excess), there is only a normal rental excess for the period if—
- (a) the normal rent, reduced by an amount equal to the reduction under that section, exceeds
 - (b) the accountancy rental earnings.
- (4) And in that case the amount of the normal rental excess for the period is equal to that excess.
- (5) In this Chapter “cumulative normal rental excess”, in relation to the lease and a period of account of L, means so much of the total of the normal rental excesses for previous periods of account of L (as increased under section 914: recovery of bad debts following reduction under section 913) as has not been—
- (a) set off under section 910 (reduction of taxable rent by the cumulative normal rental excess) against the taxable rent for any such previous period, or
 - (b) reduced under section 913 (relief for bad debts: reduction of cumulative normal rental excess).

910 Reduction of taxable rent by the cumulative normal rental excess

- (1) This section applies if a period of account of the current lessor (“L”) is one for which—
 - (a) the taxable rent in relation to the lease is as a result of section 905 (current lessor taxed by reference to accountancy rental earnings) an amount equal to the accountancy rental earnings, and
 - (b) there is a cumulative normal rental excess.
- (2) The taxable rent for the period of account is reduced by setting against it the cumulative normal rental excess (but not so as to reduce that rent below the amount of the normal rent).
- (3) But see section 913(3) and (4) (under which the amount of the cumulative normal rental excess which may be set against the taxable rent is limited in some circumstances).

Changes to legislation:

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