



Corporation Tax Act 2010

2010 CHAPTER 4

PART 21

LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS

CHAPTER 2

FINANCE LEASES WITH RETURN IN CAPITAL FORM

Relief for bad debts by reduction of cumulative rental excesses

911 Relief for bad debts: reduction of cumulative accountancy rental excess

- (1) This section applies if in relation to the lease for any period of account of the current lessor—
 - (a) there is a cumulative accountancy rental excess, and
 - (b) a bad debt deduction falls to be made in respect of rent from the lease.
- (2) If for that period—
 - (a) the accountancy rental earnings in relation to the lease exceed the normal rent, and
 - (b) the amount of the bad debt deduction exceeds the amount of the accountancy rental earnings,the cumulative accountancy rental excess for that period is reduced by the amount of the excess of that deduction over those earnings (but not so as to reduce the amount of that rental excess below nil).
- (3) Subsections (4) and (5) apply if for that period the accountancy rental earnings in relation to the lease do not exceed the normal rent.
- (4) The amount of the cumulative accountancy rental excess that may be set against the taxable rent for that period under section 908(2) (reduction of taxable rent by the

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cumulative accountancy rental excess) is limited to the amount (if any) by which the normal rent exceeds the bad debt deduction.

(5) If for that period the bad debt deduction exceeds the normal rent, the cumulative accountancy rental excess for that period is reduced by the amount of that excess (but not so as to reduce the amount of that rental excess below nil).

(6) In this section—

“bad debt deduction”, in relation to a period of account of the lessor, means the total of the deductions falling to be made for accounting purposes for that period by way of impairment loss in respect of rents from the lease of the asset, and

“taxable rent” has the meaning given in section 906(2).

912 Recovery of bad debts following reduction under section 911

(1) This section applies if in relation to the lease—

- (a) the cumulative accountancy rental excess for any period of account of the current lessor (“L”) has been reduced under section 911(2) or (5) because of a bad debt deduction,
- (b) in a subsequent period of account of L, an amount (“the relevant credit”) is recovered or credited in respect of the amount which constituted the bad debt deduction, and
- (c) there is a cumulative accountancy rental excess for that subsequent period.

(2) The cumulative accountancy rental excess for the subsequent period is increased.

(3) If the relevant credit does not exceed the total of the reductions under section 911(2) or (5), the increase is by the relevant credit.

(4) Otherwise, the increase is limited to that total.

(5) In this section “bad debt deduction” has the meaning given in section 911(6).

913 Relief for bad debts: reduction of cumulative normal rental excess

(1) This section applies if in relation to the lease for any period of account of the current lessor—

- (a) there is a cumulative normal rental excess, and
- (b) a bad debt deduction falls to be made in respect of rent from the lease.

(2) If for that period—

- (a) the accountancy rental earnings in the case of the lease do not exceed the normal rent, and
- (b) the amount of the bad debt deduction exceeds the amount of that rent,

the cumulative normal rental excess for that period is reduced by the amount of the excess of that deduction over that rent (but not so as to reduce the amount of that rental excess below nil).

(3) Subsections (4) and (5) apply if for that period the accountancy rental earnings in relation to the lease exceed the normal rent.

(4) The amount of the cumulative normal rental excess that may be set against the taxable rent for that period under section 910 (reduction of taxable rent by the cumulative

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normal rental excess) is limited to the amount (if any) by which the accountancy rental earnings exceed the bad debt deduction.

- (5) If for that period the bad debt deduction exceeds the accountancy rental earnings, the cumulative normal rental excess for that period is reduced by the amount of the excess (but not so as to reduce the amount of that rental excess below nil).
- (6) In this section, in relation to a period of account of the lessor—
 - “bad debt deduction” has the meaning given in section 911(6), and
 - “taxable rent” has the meaning given in section 906(2).

914 Recovery of bad debts following reduction under section 913

- (1) This section applies if in relation to the lease—
 - (a) the cumulative normal rental excess for any period of account of the current lessor (“L”) has been reduced under section 913(2) or (5) as a result of a bad debt deduction,
 - (b) in a subsequent period of account of L, an amount (“the relevant credit”) is recovered or credited in respect of the amount which constituted the bad debt deduction, and
 - (c) there is a cumulative normal rental excess for that subsequent period.
- (2) The cumulative normal rental excess for the subsequent period is increased.
- (3) If the relevant credit does not exceed the total of the reductions under section 913(2) or (5), the increase is by the relevant credit.
- (4) Otherwise, the increase is limited to that total.
- (5) In this section “bad debt deduction” has the meaning given in section 911(6).

Changes to legislation:

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