



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 21

#### LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS

### CHAPTER 2

#### FINANCE LEASES WITH RETURN IN CAPITAL FORM

##### *Leases to which this Chapter applies*

#### **902 The conditions referred to in section 901(1)**

- (1) This section sets out the conditions required by section 901(1) to be met for this Chapter to apply (conditions A to E).
- (2) Condition A is that at the relevant time—
  - (a) the leasing arrangements fall for accounting purposes to be treated, in accordance with generally accepted accounting practice, as a finance lease or a loan, and
  - (b) subsection (3) or (4) applies.
- (3) This subsection applies if the lessor (“L”), or a person connected with L, falls for accounting purposes to be treated, in accordance with generally accepted accounting practice, as the finance lessor in relation to the finance lease or loan.
- (4) This subsection applies if the finance lease or loan falls for accounting purposes to be treated, in accordance with generally accepted accounting practice, as subsisting for the purposes of consolidated group accounts of a group of companies of which L is a member.
- (5) Condition B is that, under the leasing arrangements, there is or may be payable to L, or to a person connected with L, a sum (a “major lump sum”) that is not rent but falls for

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**Changes to legislation:** There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 902. (See end of Document for details)

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accounting purposes to be treated, in accordance with generally accepted accounting practice—

- (a) as to part, as repayment of some or all of the investment in respect of a finance lease or loan, and
  - (b) as to part, as a return on investment in respect of a finance lease or loan.
- (6) Condition C is that not all of that part of the sum that falls within subsection (5)(b) would, apart from this Chapter, fall to be brought into account for corporation tax purposes in accounting periods of L ending with the relevant accounting period as the normal rent from the lease for periods of account of L.
- (7) Condition D is that, in relation to L at the relevant time—
- (a) the period of account of L in which the relevant time falls, or
  - (b) an earlier period of account of L during which L was the lessor,
- is a period of account for which the accountancy rental earnings in respect of the lease exceed the normal rent for the period.
- (8) Condition E is that at the relevant time—
- (a) arrangements within section 904(1) exist, or
  - (b) paragraph (a) does not apply and circumstances within section 904(3) exist.
- (9) Section 903 supplements this section.

**Changes to legislation:**

There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 902.