



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

904 The arrangements and circumstances referred to in section 902(8)

- (1) The arrangements referred to in section 902(8)(a) are arrangements under which—
 - (a) the lessee or a person connected with the lessee may acquire, whether directly or indirectly, the leased asset or an asset representing the leased asset from the lessor or a person connected with the lessor, and
 - (b) in connection with that acquisition, the lessor or a person connected with the lessor may receive, whether directly or indirectly, a qualifying lump sum from the lessee or a person connected with the lessee.
- (2) In this section “qualifying lump sum” means any sum that is not rent but at least part of which would fall for accounting purposes to be treated, in accordance with generally accepted accounting practice, as a return on investment in respect of a finance lease or loan.
- (3) The circumstances referred to in section 902(8)(b) are circumstances which make it more likely—
 - (a) that the events described in subsection (4) will occur, than
 - (b) that the event described in subsection (5) will occur.
- (4) The events mentioned in subsection (3)(a) are—

Changes to legislation: *There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 904. (See end of Document for details)*

- (a) that the lessee or a person connected with the lessee will acquire, whether directly or indirectly, the leased asset or an asset representing the leased asset from the lessor or a person connected with the lessor, and
 - (b) that, in connection with that acquisition, the lessor or a person connected with the lessor will receive, whether directly or indirectly, a qualifying lump sum from the lessee or a person connected with the lessee.
- (5) The event mentioned in subsection (3)(b) is that, before any such acquisition as is mentioned in subsection (4) takes place, the leased asset or, as the case may be, the asset representing the leased asset, will have been acquired, in a sale on the open market, by an independent third party.
- (6) In subsection (5) “independent third party” means a person who—
- (a) is not the lessor or the lessee, and
 - (b) is not connected with either of them.
- (7) For the meaning of an asset representing the leased asset, see section 934.

Changes to legislation:

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