



Finance Act 2012

2012 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 5

MISCELLANEOUS

Capital allowances

46 Plant and machinery: long funding leases

(1) Section 70E of CAA 2001 (disposal events and disposal values) is amended as follows.

(2) In subsection (2A), for the definition of “R” substitute—

“R is the sum of—

- (a) any relevant rebate (see subsections (2F) and (2G)), and
- (b) any other relevant lease-related payment (see subsections (2FA) and (2G)).”

(3) After subsection (2F) insert—

“(2FA) Relevant lease-related payment” means any payment which—

- (a) is payable at any time for the benefit (directly or indirectly) of the lessee or a person connected with the lessee,
- (b) is connected with the long funding lease, or with any arrangement connected with that lease, and
- (c) is not—
 - (i) an initial payment or any other payment made to the lessor by the lessee under the lease,

Status: This is the original version (as it was originally enacted).

- (ii) a payment made to the lessor by the lessee under a guarantee of any residual amount (as defined in section 70YE),
- (iii) an initial payment or any other payment made under a relevant superior lease to the person who is the lessor under that lease by the person who is the lessee under that lease, or
- (iv) a payment to the seller of the proceeds of a sale of the plant or machinery to which subsection (2FC) applies,

if, and to the extent that, the payment is not otherwise brought into account for tax purposes as income or a disposal receipt by the person for whom the benefit is payable (or would not be if that person were within the charge to tax).

(2FB) For the purposes of subsection (2FA)—

“payment” includes the provision of any benefit, the assumption of any liability and any other transfer of money’s worth (and “payable” is to be construed accordingly);

“relevant superior lease” means any lease of the plant or machinery to which the long funding lease mentioned in subsection (1)(a) is inferior.

(2FC) This subsection applies to a sale of the plant or machinery if—

- (a) a person has entered into a relevant transaction with another person in respect of the plant or machinery for the purposes of Chapter 17 of this Part (see section 213) and the sale is within section 213(1)(a),
- (b) the plant or machinery is within section 216(1)(b) (sale and lease back), and
- (c) the conditions in section 227(2) are met.”

(4) For subsection (2G) substitute—

“(2G) In the case of a lease that is not a transaction at arm’s length, “relevant rebate” and “relevant lease-related payment” include any amount that would reasonably be expected to have fallen within subsection (2F) or, as the case may be, (2FA) if the lease had been such a transaction.”

(5) The amendments made by this section have effect in relation to cases where the relevant event occurs on or after 21 March 2012.