



Corporation Tax Act 2010

2010 CHAPTER 4

PART 19

SALE AND LEASE-BACK ETC

CHAPTER 2

NEW LEASE OF LAND AFTER ASSIGNMENT OR SURRENDER

Taxation of consideration

851 Taxation of consideration

- (1) An appropriate amount must be found under subsection (3) or (4) of—
 - (a) the consideration received by L for the assignment or surrender, or
 - (b) each instalment of the consideration (if it is paid in instalments).
- (2) For the purposes of the Corporation Tax Acts the appropriate amount must be treated in accordance with subsections (6) to (8) and not as a capital receipt.
- (3) If the term of the new lease is one year or less, the appropriate amount of the consideration or instalment is the whole of it.
- (4) If the term of the new lease is more than one year, the appropriate amount of the consideration or instalment is the proportion of it found by the formula—

$$\frac{16 - N}{15}$$

- (5) In subsection (4) N is the term of the new lease expressed in years (taking part of a year as an appropriate proportion of a year).

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Taxation of consideration. (See end of Document for details)

- (6) The way the appropriate amount must be treated depends on whether the following conditions are met—
 - (a) the consideration is received by L in the course of a trade, and
 - (b) the rent payable by L, or a person linked to L, under the new lease is allowable as a deduction in calculating profits or losses of a trade, profession or vocation for tax purposes.
- (7) If the conditions are met the appropriate amount must be treated as a receipt of the trade mentioned in subsection (6)(a).
- (8) If the conditions are not met the appropriate amount must be treated as an amount chargeable to corporation tax under the charge to corporation tax on income.

852 Position where new lease does not include all original property

- (1) This section applies for the purposes of section 851 if the property which is the subject of the new lease does not include all the property which was the subject of the original lease.
- (2) The consideration received by L must be treated as reduced to the portion of it found under subsection (3).
- (3) The portion is that which is reasonably attributable to such part of the original property as—
 - (a) consists of the property which is the subject of the new lease, or
 - (b) is included in the property which is the subject of the new lease.
- (4) The original property is the property which was the subject of the original lease.

Changes to legislation:

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