



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 17

[^{F1}OTHER ANTI-AVOIDANCE]

[^{F1}Finance leases and certain operating leases]

Textual Amendments

- F1** S. 219 cross-heading substituted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(5\)](#)

219 Meaning of “finance lease”

- (1) In this Chapter “finance lease” means any arrangements—
- (a) which provide for plant or machinery to be leased or otherwise made available by a person (“the lessor”) to another person (“the lessee”), and
 - (b) which, under [^{F2}generally accepted accounting practice]—
 - (i) fall (or would fall) to be treated, in the accounts of the lessor or a person connected with the lessor, as a finance lease or a loan, or
 - (ii) are comprised in arrangements which fall (or would fall) to be so treated.

^{F3} ...

- (2) ^{F4}

- (3) In this section “accounts”, in relation to a company, includes any accounts which—

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- (a) relate to two or more companies of which that company is one, and
- [^{F5}(b) are drawn up in accordance with generally accepted accounting practice.]

Textual Amendments

- F2** Words in s. 219(1) substituted (24.7.2002) by [Finance Act 2002 \(c. 23\)](#), s. 103(4)(g)
- F3** Words in s. 219(1) omitted (with effect in accordance with Sch. 20 para. 6(19) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 6\(10\)](#)
- F4** S. 219(2) repealed (with effect as mentioned in s. 107 of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 141, [Sch. 40 Pt. 3\(16\)](#)
- F5** S. 219(3)(b) substituted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 33](#)

220 Allocation of expenditure to a chargeable period

- [^{F6}(A1) Subsection (1) applies to a company for a chargeable period if—
- (a) at the end of the [^{F7}CTA] period of account which is the basis period for the chargeable period, the company is a member of a group, and
 - (b) the last day of that [^{F8}CTA] period of account is not also the last day of [^{F9}a CTA] period of account of the principal company of the group.]
- (1) Subject to subsection (2), if [^{F10}the company] incurs at any time in [^{F11}the chargeable period] capital expenditure on the provision of plant or machinery for leasing under a finance lease [^{F12}or under a qualifying operating lease (see subsection (4))] —
- (a) the part of the expenditure which is proportional to the part of that chargeable period falling before that time is not to be taken into account in determining that [^{F13}company's] available qualifying expenditure for that period, but
 - (b) this does not prevent that part of the expenditure being taken into account in determining that [^{F13}company's] available qualifying expenditure for any subsequent chargeable period.
- (2) Subsection (1)(a) does not apply to a chargeable period if a disposal event occurs in that period in respect of the plant or machinery.
- [^{F14}(3) The following provisions have effect for the interpretation of this section.
- (4) A “qualifying operating lease” is a plant or machinery lease that meets the following conditions—
 - (a) it is not a finance lease,
 - (b) it is a funding lease,
 - (c) its term is longer than 4 years but not longer than [^{F15}7] years.
 - (5) [^{F16}A CTA] period of account is the basis period for a chargeable period if the chargeable period coincides with, or falls within, the [^{F17}CTA] period of account.
 - (6) [^{F18}A “CTA] period of account” is a period of account as defined in [^{F19}section 1119 of CTA 2010].
 - (7) The provisions of section 170(3) to (6) of TCGA 1992 apply to determine for the purposes of this section—
 - (a) whether a company is member of a group, and
 - (b) which company is the principal company of the group.

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- (8) But, in applying those provisions for the purposes of this section, a company (“the subsidiary company”) that does not have ordinary share capital is to be treated as being a qualifying 75% subsidiary of another company (“the parent company”) if the parent company—
- (a) has control of the subsidiary company^{F20} ..., and
 - (b) is beneficially entitled to the appropriate proportion of profits and assets.
- (9) The parent company is beneficially entitled to the appropriate proportion of profits and assets if (and only if) it—
- (a) is beneficially entitled to at least 75% of any profits available for distribution to equity holders of the subsidiary company, and
 - (b) would be beneficially entitled to at least 75% of any assets of the subsidiary company available for distribution to its equity holders on a winding-up.
- (10) The provisions of [^{F21}Chapter 6 of Part 5 of CTA 2010] (equity holders and profits or assets etc) also apply for the purposes of this section.
- (11) In this section, the following expressions have the same meaning as in Chapter 6A of Part 2 (interpretation of provisions about long funding leases)—
- “funding lease”,
 - “plant or machinery lease”,
 - “term”, in relation to a lease.]

Textual Amendments

- F6** S. 220(A1) inserted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(2\)](#)
- F7** Words in s. 220(A1)(a) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(2\)\(a\)](#) (with [Sch. 2](#))
- F8** Words in s. 220(A1)(b) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(2\)\(b\)\(i\)](#) (with [Sch. 2](#))
- F9** Words in s. 220(A1)(b) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(2\)\(b\)\(ii\)](#) (with [Sch. 2](#))
- F10** Words in s. 220(1) substituted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(3\)\(a\)](#)
- F11** Words in s. 220(1) substituted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(3\)\(b\)](#)
- F12** Words in s. 220(1) inserted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(3\)\(c\)](#)
- F13** Word in s. 220(1) substituted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(3\)\(d\)](#)
- F14** S. 220(3)-(11) inserted (with effect in accordance with Sch. 9 para. 15(6) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 15\(4\)](#)
- F15** Word in s. 220(4)(c) substituted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 14 para. 8\(3\)](#)
- F16** Words in s. 220(5) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(3\)\(a\)](#) (with [Sch. 2](#))
- F17** Words in s. 220(5) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(3\)\(b\)](#) (with [Sch. 2](#))
- F18** Words in s. 220(6) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 344\(4\)\(a\)](#) (with [Sch. 2](#))

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- F19** Words in s. 220(6) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 344(4)(b)** (with Sch. 2)
- F20** Words in s. 220(8)(a) omitted (6.4.2007) by virtue of Income Tax Act 2007 (c. 3), s. 1034(1), **Sch. 1 para. 402**, Sch. 3 Pt. 1 (with Sch. 2)
- F21** Words in s. 220(10) substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 344(5)** (with Sch. 2)

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