



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 19

GIVING EFFECT TO ALLOWANCES AND CHARGES

Special leasing of plant or machinery

258 Special leasing: income tax

- (1) This section applies for income tax purposes if the qualifying activity of a person entitled or liable to an allowance or charge for a chargeable period ("the current tax year") is special leasing of plant or machinery.
- (2) Subject to subsection (3), the allowance is to be given effect by deducting it from the person's income for the current tax year from any qualifying activity the person has of special leasing of plant or machinery.
- (3) If the plant or machinery leased under the special leasing was not used for the whole or any part of the current tax year for the purposes of a qualifying activity carried on by the lessee—
 - (a) the allowance, or
 - (b) a proportionate part of it,is to be given effect by deducting the allowance, or the part of the allowance, from the person's income for the current tax year from that special leasing only.
- (4) Any charge is to be given effect by treating the charge as income to be taxed under Case VI of Schedule D.

Status: This is the original version (as it was originally enacted).

- (5) If the amount to be deducted from a description of income specified in subsection (2) or (3) exceeds the person's income of that description for the current tax year, the excess must be deducted from the person's income of the same description for the next tax year, and so on for subsequent tax years.
- (6) For the purposes of this section, income from special leasing of plant or machinery includes any charge treated as income under subsection (4).
- (7) In this section, references to deducting an allowance (or a part of an allowance) from income include setting it off against income.

259 Special leasing: corporation tax (general)

- (1) This section applies for corporation tax purposes if the qualifying activity of a company entitled or liable to an allowance or charge for a chargeable period ("the current accounting period") is special leasing of plant or machinery.
- (2) Subject to subsection (3), the allowance is to be given effect by deducting it from the company's income for the current accounting period from any qualifying activity it has of special leasing of plant or machinery.
- (3) If the plant or machinery leased under the special leasing was not used for the whole or any part of the current accounting period for the purposes of a qualifying activity carried on by the lessee—
 - (a) the allowance, or
 - (b) a proportionate part of it,is to be given effect by deducting the allowance, or the part of the allowance, from the company's income for the current accounting period from that special leasing only.
- (4) Any charge is to be given effect by treating the charge as income from special leasing of plant or machinery.

260 Special leasing: corporation tax (excess allowance)

- (1) This section applies if the amount to be deducted from a description of income specified in section 259(2) or (3) exceeds the company's income of that description for the current accounting period.
- (2) Subject to subsections (3) to (6), the excess must (if the company remains within the charge to tax) be deducted from the company's income of the same description for the next accounting period (and so on for subsequent accounting periods).
- (3) The company may, on making a claim, require the excess to be deducted from any profits—
 - (a) of the current accounting period, and
 - (b) if the company was then within the charge to tax, of any previous accounting period ending within the carry-back period.
- (4) The carry-back period is a period which—
 - (a) is of the same length as the current accounting period, and
 - (b) ends at the start of the current accounting period.

- (5) If the preceding accounting period began before the start of the carry-back period, the total amount of deductions that may be made from the profits of the preceding accounting period under—
 - (a) subsection (3), and
 - (b) any corresponding provision of the Corporation Tax Acts relating to losses, must not exceed a part of those profits proportionate to the part of the period falling within the carry-back period.
- (6) A claim under subsection (3) must be made no later than 2 years after the end of the current accounting period.
- (7) If the deduction of the allowance (or of part of it) was subject to the restriction in section 259(3)—
 - (a) subsections (3) to (6), and
 - (b) section 403 of ICTA (group relief),do not apply in relation to the allowance (or part of it).
- (8) In this section “profits” has the same meaning as in section 6 of ICTA (charge to corporation tax etc.).

261 Special leasing: life assurance business

In the case of a company which is carrying on any life assurance business—

- (a) subsections (3) to (6) of section 260, and
 - (b) section 403 of ICTA (group relief),
- do not apply in relation to an allowance to which the company is entitled under section 19 (special leasing of plant or machinery).