



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 17

[^{F1}OTHER ANTI-AVOIDANCE]

[^{F2}Disposal of plant or machinery subject to lease where income retained]

[^{F3}228M] **Restriction of qualifying expenditure**

- (1) This section applies where capital expenditure is incurred on the provision of plant or machinery (“the asset”) and at the time the expenditure is incurred—
 - (a) the asset is leased or arrangements exist under which it is to be leased, and
 - (b) arrangements have been entered into in relation to payments under the lease that have the effect of reducing the value of the asset to the lessor (“V”).
- (2) For the purposes of capital allowances the lessor's qualifying expenditure on the asset is restricted to V.
- (3) The value of the asset to the lessor is given by—

$$V = VI + VR$$

where—

VI is the present value of the lessor's income from the asset, and

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 228MA. (See end of Document for details)

VR is the present value of the residual value of the asset reduced by the amount of any rental rebate.

- (4) For this purpose—
- (a) the lessor's income from the asset is the total of all the amounts that—
 - (i) have been received by the lessor, or it is reasonable to expect the lessor will receive, in connection with the lease, and
 - (ii) have been brought into account by the lessor, or it is reasonable to expect the lessor will bring into account, as income in computing profits chargeable to tax, and
 - (b) the residual value of the asset is what it is reasonable to expect will be the market value of the lessor's interest in the asset immediately after the termination of the lease.
- (5) In determining the lessor's income from the asset, exclude—
- (a) disposal receipts brought, or to be brought, into account under Part 2, and
 - (b) so much of any amount as represents charges for services or qualifying UK or foreign tax (within the meaning of section 70YE) to be paid by the lessor.
- (6) Where capital expenditure has previously been incurred by the lessor on the provision of the asset, the reference in subsection (2) to the lessor's qualifying expenditure on the asset is to be read as a reference to the total amount of the lessor's qualifying expenditure on the asset.
- (7) The following provisions supplement this section—
- (a) section 228MB provides for the calculation of “present value”, and
 - (b) section 228MC defines what is meant by a rental rebate.
- (8) In this section and sections 228MB and 228MC “lease” includes any arrangements which provide for plant or machinery to be leased or otherwise made available by a person (“the lessor”) to another person (“the lessee”).]

Textual Amendments

- F3** Ss. 228MA-228MC inserted (8.4.2010) (with effect in accordance with Sch. 5 para. 1(2) to the amending Act) by [Finance Act 2010 \(c. 13\)](#), [Sch. 5 para. 1\(1\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 228MA.