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**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 2006, Taxation of Chargeable Gains Act 1992. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 9

#### LEASES OF PLANT OR MACHINERY: MISCELLANEOUS AMENDMENTS

#### TAXATION OF CHARGEABLE GAINS ACT 1992

##### *Long funding leases: deemed disposals and re-acquisitions*

- 4 (1) After section 25 of TCGA 1992 (non-residents: deemed disposals) insert—

**“25A Long funding leases of plant or machinery: deemed disposals**

- (1) This section applies where plant or machinery is used for the purpose of leasing under a long funding lease.
- (2) The lessor shall be deemed for all purposes of this Act—
  - (a) to have disposed of the plant or machinery at the commencement of the term of the lease at the value described in subsection (4)(a) or (b), and
  - (b) to have immediately reacquired it at the same value.
- (3) The lessor shall also be deemed for all purposes of this Act—
  - (a) to have disposed of the plant or machinery on the termination of the lease for a consideration equal to the termination amount, and
  - (b) to have immediately reacquired it for the same consideration.
- (4) The value mentioned in subsection (2)(a) is—
  - (a) where the lease is a long funding finance lease, an amount equal to that which would fall to be recognised as the lessor's net investment in the lease if accounts were prepared in accordance with generally accepted accounting practice on the date on which the lessor's net investment in the lease is first recognised in the books or other financial records of the lessor, or
  - (b) where the lease is a long funding operating lease, an amount equal to the market value of the plant or machinery at the commencement of the term of the lease.
- (5) For the purposes of this section, the following expressions have the meaning given in Chapter 6A of Part 2 of the Capital Allowances Act (interpretation of provisions about long funding leases)—
  - “commencement”, in relation to the term of a lease,
  - “lessor”,
  - “long funding lease”,
  - “long funding finance lease”,
  - “long funding operating lease”,

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“market value”,  
 “the term”, in relation to a lease,  
 “termination”,  
 “termination amount”.”

- (2) The amendment made by this paragraph has effect where the commencement of the term of the lease is on or after 1st April 2006.

*Restriction of losses: long funding leases of plant or machinery*

- 5 (1) After section 41 of TCGA 1992 (restriction of losses by reference to capital allowances and renewals allowances) insert—

**“41A Restriction of losses: long funding leases of plant or machinery**

- (1) This section applies where a person disposes of an asset—
- (a) which includes plant or machinery which is a fixture for the purposes of Chapter 6A of Part 2 of the Capital Allowances Act, and
  - (b) which he has used for the purpose of leasing under one or more long funding leases.
- (2) In the computation of the amount of a loss accruing to the person on the disposal there shall be excluded from the sums allowable as a deduction by virtue of section 38(1)(a) and (b) (acquisition and enhancement costs) an amount determined in accordance with subsection (3) or (4).
- (3) Where the person has used the plant or machinery for the purpose of leasing under one long funding lease, the amount is equal to the fall in value of the plant or machinery during the period of the lease.
- (4) Where the person has used the plant or machinery for the purpose of leasing under more than one long funding lease, the amount is equal to the sum of the fall in value of the plant or machinery during the period of each lease.
- (5) In this section, references to the fall in value of plant or machinery during the period of a lease are references to the amount (if any) by which—
- (a) the market value of the plant or machinery at the commencement of the term of the lease,  
 exceeds
  - (b) its market value at the termination of the lease.
- (6) For the purposes of this section, the following expressions have the meaning given in Chapter 6A of Part 2 of the Capital Allowances Act (interpretation of provisions about long funding leases)—
- “commencement”, in relation to the term of a lease,  
 “long funding lease”,  
 “market value”,  
 “the term”, in relation to a lease,  
 “termination”.”

- (2) The amendment made by this paragraph has effect in relation to disposals on or after 1st April 2006.

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*Definition of market value*

- 6 (1) Section 272 of TCGA 1992 (valuation: general) is amended as follows.
- (2) In subsection (6) (subjection to other provisions) after “subject to” insert “ sections 25A and 41A and ”.

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