



Corporation Tax Act 2010

2010 CHAPTER 4

PART 19

SALE AND LEASE-BACK ETC

CHAPTER 4

LEASED ASSETS: CAPITAL SUMS

Charge to corporation tax

874 Charge to corporation tax

- (1) The company obtaining the capital sum is to be treated as receiving, at the time the sum is obtained, an amount—
 - (a) which is equal to the chargeable amount, and
 - (b) to which the charge to corporation tax on income applies.
- (2) The chargeable amount is—
 - (a) the amount of the payment for which a deduction by way of relevant tax relief is allowed, or
 - (b) the total amount of such payments (if more than one).
- (3) But subsections (1) and (2) have effect subject to—
 - (a) subsections (4) to (7), and
 - (b) section 875(3) (hire-purchase agreements).
- (4) The chargeable amount is not to exceed the capital sum (but see section 875(4)).
- (5) Subsection (6) applies if—
 - (a) the charge to corporation tax on income is applied by this section in respect of a capital sum, and

Status: This is the original version (as it was originally enacted).

- (b) a payment or part of a payment is taken into account in deciding the chargeable amount in respect of the sum.
- (6) The payment or part must be left out of account in deciding—
 - (a) whether the charge to corporation tax on income is to be applied by this section in respect of another capital sum, and
 - (b) the chargeable amount in respect of the other sum (if the charge is to be applied in respect of the other sum).
- (7) The order in which subsections (5) and (6) are applied is the order in which capital sums are obtained.

875 Hire-purchase agreements

- (1) This section applies if—
 - (a) the lease is a hire-purchase agreement (as defined in section 1129), and
 - (b) the capital sum is obtained in respect of the lessee's interest in the lease (whether it is obtained by the person making the payment or by an associate).
- (2) Find the total of the following amounts—
 - (a) so much of any payment made under the lease by the company obtaining the capital sum as is not a payment for which a deduction by way of relevant tax relief is allowed, and
 - (b) if the lessee's interest was assigned to the company obtaining the capital sum, any capital payment made by that company as consideration for the assignment.
- (3) If the total of the amounts found under subsection (2) is equal to or greater than the capital sum, the charge to corporation tax on income is not applied by section 874 in respect of the capital sum.
- (4) If the total of those amounts is less than the capital sum, in applying section 874(4) that total must be deducted from the capital sum.
- (5) If the capital sum is the consideration for part only of the lessee's interest in the lease—
 - (a) any amount found under subsection (2) (and still unallowed) must be reduced to a just and reasonable proportion of it, and
 - (b) in calculating that proportion account must be taken of the degree to which the payments mentioned in subsection (2) have contributed to the value of what is disposed of in return for the capital sum.
- (6) Subsection (7) applies if—
 - (a) more than one capital sum is (or is treated as) obtained by the same company in respect of the lessee's interest in the lease, and
 - (b) in arriving at a total under subsection (2) a payment is taken into account in respect of one of the capital sums.
- (7) So far as the payment is so taken into account it must not be taken into account in applying subsection (2) to another of the capital sums.
- (8) The order in which subsections (6) and (7) are applied is the order in which capital sums are obtained.

876 Adjustments where sum obtained before payment made

- (1) This section applies if a capital sum is obtained as mentioned in section 873 and later a payment is made as mentioned in section 872.
- (2) Adjustments must be made if they are needed to give effect to the application by section 874 of the charge to corporation tax on income in respect of the capital sum.
- (3) An adjustment may be made within the period of 6 years which starts at the end of the accounting period in which the payment is made.
- (4) Subsection (3) applies despite any time limit specified in the Corporation Tax Acts.