



Corporation Tax Act 2010

2010 CHAPTER 4

PART 20

TAX AVOIDANCE INVOLVING LEASING PLANT OR MACHINERY

[^{F1}CHAPTER 3

CONSIDERATION FOR TAKING OVER PAYMENT OBLIGATIONS AS LESSEE TREATED AS INCOME

[^{F1}894A Consideration for taking over payment obligations as lessee treated as income

- (1) This section applies where under any arrangements—
 - (a) a company chargeable to corporation tax (C) agrees to take over obligations of another person (D) as lessee under a lease of plant or machinery,
 - (b) as a result of that agreement C, or a person connected with C, becomes entitled to income deductions (whether deductions in calculating income or from total profits), and
 - (c) a payment is payable to C, or a person connected with C, by way of consideration for that agreement.
- (2) The payment is treated for the purposes of corporation tax as income received by C in the period of account in which C takes over the obligations mentioned in subsection (1) (a).
- (3) Subsection (2) does not apply if and to the extent that the payment is (apart from this section)—
 - (a) charged to tax on C, or a person connected with C, as an amount of income,
 - (b) brought into account in calculating for tax purposes any income of C or a person connected with C, or
 - (c) brought into account for the purposes of any provision of CAA 2001 as a disposal receipt, or proceeds from a balancing event or disposal event, of C or a person connected with C.

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 894A. (See end of Document for details)

- (4) It does not matter how C takes over the obligations of D (whether by assignment, novation, variation or replacement of the contract, by operation of law or otherwise).
- (5) In this section—
- “arrangements” include any scheme, arrangement, understanding, transaction or series of transactions (whether or not legally enforceable);
- “lease of plant or machinery” means any kind of agreement or arrangement under which sums are paid for the use of, or otherwise in respect of, plant or machinery;
- “payment” includes the provision of any benefit, the assumption of any liability or the transfer of money or money's worth (and “payable” is to be construed accordingly);
- “payment by way of consideration” means any payment made, directly or indirectly, in consequence of or otherwise in connection with, the agreement mentioned in subsection (1)(a), where it is reasonable to assume the agreement would not have been made unless the arrangements included provision for the payment.
- (6) Any priority rule (other than section 212(1) of FA 2013 (general anti-abuse rule to have priority over other rules)) has effect subject to this section, despite the terms of the priority rule.
- (7) For that purpose “priority rule” is a rule (however expressed) to the effect that particular provisions have effect to the exclusion of, or otherwise in priority to, anything else.
- (8) Examples of priority rules are section 464 of CTA 2009 (priority of loan relationships rules) and section 6(1) of TIOPA 2010 (effect to be given to double taxation arrangements despite anything in any enactment).]

Textual Amendments

F1 Pt. 20 Ch. 3 inserted (with application in accordance with s. 68(3) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 68\(1\)](#)

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