

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 21: Leasing arrangements: finance leases and loans

Chapter 3: Other finance leases

Section 927: Leases to which this Chapter applies

2747. This section determines whether Chapter 3 applies to a particular lease. It is based on paragraph 16 of Schedule 12 to FA 1997.
2748. The Chapter only applies to leases granted on or after 26 November 1996 and then only if they form part of a post-25 November 1996 scheme as defined in section 930(1)(b) (see *subsection (1)(a)* and *(b)*).
2749. The lease may be of any property or rights (see *subsection (1)(a)* and the definition of “asset” in section 937). Contrast Parts 9 and 20 which apply only to leases of plant or machinery.
2750. In addition, for the Chapter to apply, condition A, but not all of conditions B to E, in section 902 must have been met in relation to the lease at some time on or after 26 November 1996 in a period of account of the current lessor (see *subsection (1)(c)* and *(d)*). But once condition A has been met in relation to the lessor at the time, it is treated as continuing to be met as regards any subsequent lessor unless and until the lease is assigned to a wholly unrelated person (see *subsections (4)* to *(6)*).
2751. *Subsection (3)* provides that Chapter 2 does not apply to long funding leases of plant or machinery in relation to which Part 2 of CAA gives capital allowances to the lessee instead of the lessor. Chapter 2 of Part 9 of this Act sets out the basis of taxation of rental earnings under such leases.
2752. *Subsection (7)* is a necessary consequence of the split into separate provisions for corporation tax purposes and income tax purposes.