

# CORPORATION TAX ACT 2010

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## EXPLANATORY NOTES

### INTRODUCTION

#### **Part 21: Leasing arrangements: finance leases and loans**

#### *Chapter 4: Supplementary provisions*

##### **Overview**

2756. This Chapter contains supplementary and interpretative provisions.

#### *Section 930: Pre-26 November 1996 schemes and post-25 November 1996 schemes*

2757. This section defines a “pre-26 November 1996 scheme” and a “post-25 November 1996 scheme”. It is based on paragraph 27 of Schedule 12 to FA 1997.

2758. For the significance of these terms see the commentary on sections 923 and 927.

#### *Section 931: Time apportionment where periods of account do not coincide*

2759. This section deals with situations where the measure of the accountancy rental earnings taxed under this Part on the lessor is that shown in the accounts of a connected person or the group as a whole and the period for which those accounts are drawn up is different from the period for which the lessor’s accounts are drawn up. It is based on paragraph 24 of Schedule 12 to FA 1997.

2760. In these circumstances the figures are time-apportioned as necessary to arrive at the measure of accountancy rental earnings for the lessor’s period of account.

#### *Section 932: Periods of account and related periods of account and accounting periods*

2761. This section sets out the definition of “period of account”. It is based on paragraphs 23 and 30 of Schedule 12 to FA 1997.

#### *Section 933: Connected persons*

2762. This section provides that persons are regarded as connected throughout the period beginning at the time the leasing arrangements are made and ending with the termination of the current lessor’s interest, if they are connected at some point during that period. It is based on paragraph 25(1) of Schedule 12 to FA 1997.

2763. Section 1176(1) provides that section 1122 (“connected” persons) applies for the purposes of this Act unless otherwise indicated (whether expressly or by implication). Accordingly it is unnecessary to rewrite paragraph 25(2) of Schedule 12 to FA 1997 here.

***Section 934: Assets which represent the leased asset***

2764. This section defines assets which represent leased assets. It is based on paragraph 26 of Schedule 12 to FA 1997.
2765. The purpose is to identify assets which in economic terms are essentially the same asset, in whole or in part, as the leased asset. This Part provides broadly that transactions in such assets are treated as transactions involving the leased asset itself.

***Section 935: Parent undertakings and consolidated group accounts***

2766. This section sets out an assumption about consolidated accounts of companies which would count as “parent undertakings” for the purposes of the Companies Act 2006 but are not required for accounting purposes to prepare consolidated accounts in accordance with GAAP. It is based on paragraph 28 of Schedule 12 to FA 1997.
2767. Such companies are regarded for the purposes of this Part as having to draw up consolidated accounts whether or not they are actually required to do so for accounting purposes. So parent companies incorporated outside the United Kingdom are treated, for the purpose of identifying leases within the Part and calculating the rental income from them, as having to draw up consolidated accounts if they would not be so required for accounting purposes.

***Section 936: Assessments and adjustments***

2768. This section ensures that all assessments and adjustments necessary to give effect to the provisions of this Part are made. It is based on paragraph 29 of Schedule 12 to FA 1997.

***Section 937: Interpretation of Part***

2769. This section provides definitions and interpretative rules. It is based on paragraph 30 of Schedule 12 to FA 1997.