



Corporation Tax Act 2010

2010 CHAPTER 4

PART 9

LEASING PLANT OR MACHINERY

CHAPTER 2

LONG FUNDING LEASES OF PLANT OR MACHINERY

Lessees under long funding finance leases

377 Lessee under long funding finance lease: limit on deductions

- (1) This section applies if a company is the lessee of any plant or machinery under a long funding finance lease for the whole or part of any period of account.
- (2) In calculating the company's profits for the period of account for corporation tax purposes, the amount deducted in respect of amounts payable under the lease must not exceed the finance charges.
- (3) In subsection (2) “the finance charges” means the amounts which, in accordance with generally accepted accounting practice, fall (or would fall) to be shown in the company's accounts as finance charges^{F1}, or interest expenses,] in respect of the lease.
- (4) If the lease is one which, in accordance with such practice, falls (or would fall), to be treated as a loan, subsections (2) and (3) apply as if the lease were one which, in accordance with such practice, fell to be treated as a finance lease.

Textual Amendments

- F1** Words in s. 377(3) inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by Finance Act 2019 (c. 1), **Sch. 14 para. 4(4)**

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Lessees under long funding finance leases. (See end of Document for details)

[^{F2}377A Lessee under long funding finance leases: right-of-use leases

- (1) This section applies if—
- (a) for the whole or part of any period of account, a company is the lessee of any plant or machinery under a right-of-use lease that is a long funding finance lease,
 - (b) there is a change in the amounts payable under the lease, and
 - (c) as a result of the change and in accordance with generally accepted accounting practice—
 - (i) a remeasurement of the lease liability is shown in the person's accounts for the period of account, or
 - (ii) a deduction is shown in those accounts other than as an interest expense under the lease or an amount of depreciation, or an impairment, in respect of the right-of-use asset arising from the lease.
- (2) In calculating the company's profits for the period of account, the amount deducted in respect of amounts payable under the lease (after taking account of any limitation as a result of section 377) is to be increased or decreased so as to take account of the remeasurement or deduction mentioned in subsection (1)(c).
- (3) No adjustment is to be made under subsection (2) if the remeasurement or deduction results in the company being treated by section 70D of CAA 2001 (long funding finance lease: additional expenditure: allowances for lessee) as having incurred further capital expenditure on the provision of the plant or machinery.]

Textual Amendments

F2 S. 377A inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 14 para. 4\(5\)](#)

378 Lessee under long funding finance lease: termination

- (1) This section applies if—
- (a) a company is or has been the lessee under a long funding finance lease, and
 - (b) in connection with the termination of the lease, a payment calculated by reference to the termination value falls to be made to the company.
- (2) The payment is not to be brought into account in determining the profits of the company for any period of account for corporation tax purposes.
- (3) Subsection (2) does not affect the amount of any disposal value that falls to be brought into account by the company under CAA 2001.
- (4) For the meaning of “termination value”, see section 381(3)(m).

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross
Heading: Lessees under long funding finance leases.