

# FINANCE ACT 2013

---

## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 75, Schedule 28: Lease Premium Relief*

#### Summary

1. [Section 75](#) and Schedule 28 limit lease premium relief available to a trader or intermediate landlord where leases are of more than 50 years duration. The section has effect for leases granted on or after 1 April 2013 in respect of companies and 6 April 2013 in respect of individuals or partnerships.

#### Details of the Schedule

2. Paragraph 2 adds new section 61(5A) to Income Tax (Trading and other Income) Act 2005 (ITTOIA). New section 61(5A) precludes the deduction of a trade expense where the charge on the landlord (the “taxed receipt”) in respect of the lease premium is within new section 292(4B) or (4C)
3. New section 292(4A) precludes the deduction of a property business expense where the charge on the landlord (the “taxed receipt”) in respect of the lease premium is within new section 292(4B) or (4C)
4. New section 292(4B) applies where the lease is only a long lease because of the operation of Rule 1 in section 303 ITTOIA 2005.
5. New section 292(4C) applies where the lease is only a long lease because of the operation of Rule 1 in section 243 Corporation Tax Act 2009 (CTA 2009).
6. Paragraph 6 adds new section 63(5A) to CTA 2009. New section 63(5A) precludes the deduction of a trade expense where the charge on the landlord (the “taxed receipt”) in respect of the lease premium is within new section 232(4B) or (4C)
7. New subsection 232(4A) precludes the deduction of a property business expense where the charge on the landlord (the “taxed receipt”) in respect of the lease premium is within new section 232(4B) or (4C)
8. New section 232(4B) applies where the lease is only a long lease because of the operation of Rule 1 in section 243 CTA 2009.
9. New section 232(4C) applies where the lease is only a long lease because of the operation of Rule 1 in section 303 ITTOIA 2005.

#### Background

10. A lease premium payment, made on granting a lease of less than 50 years, is taxed on the recipient landlord and relieved on the tenant where that tenant is a trader or an intermediate landlord. The premium would otherwise be a capital payment for tax purposes. Where the payment relates to a lease of more than 50 years, a premium is also

*These notes refer to the Finance Act 2013 (c.29)  
which received Royal Assent on 17 July 2013*

treated as being within the lease premium regime if it falls within Rule 1 of section 303 ITTOIA 2005 or section 243 CTA 2009.