



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

[^{F1}CHAPTER 10A

LEASES OF PLANT OR MACHINERY: SPECIAL RULES FOR LONG FUNDING LEASES

Textual Amendments

F1 Pt. 2 Ch. 10A, (ss 148A-148J) inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 81, [Sch. 8 para. 13](#)

[^{F2}Application of Chapter

Textual Amendments

F2 S. 148ZA and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 27](#)

148ZA Chapter not to apply where cash basis used

Nothing in this Chapter applies in calculating the profits of a trade on the cash basis.]

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

[^{F3}Lessors under long funding finance leases]

Textual Amendments

F3 Pt. 2 Ch. 10A inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 81, [Sch. 8 para. 13](#)

148A Lessor under long funding finance lease: rental earnings

- (1) This section applies for the purpose of calculating the profits of a person carrying on a trade for a period of account in which he is the lessor of any plant or machinery under a long funding finance lease.
- (2) The amount to be brought into account as the lessor's taxable income from the lease for the period of account is the amount of the rental earnings in respect of the lease for the period of account.
- (3) The “rental earnings” for any period is the amount which, in accordance with generally accepted accounting practice, falls (or would fall) to be treated as the gross return on investment for that period in respect of the long funding lease where it meets the finance lease test.
- (4) If the lease is one which, under generally accepted accounting practice, falls (or would fall) to be treated as a loan in the accounts in question, so much of the rentals under the lease as fall (or would fall) to be treated as interest are to be treated for the purposes of this section as rental earnings.

Modifications etc. (not altering text)

C1 S. 148A excluded (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 11\(2\)](#)

C2 S. 148A excluded (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 33 para. 5](#) (with [Sch. 33 paras. 4, 9](#))

148B Lessor under long funding finance lease: exceptional items

- (1) This section applies for the purpose of calculating the profits of a person carrying on a trade for a period of account if he is or has been the lessor under a long funding finance lease.
- (2) This section has effect where a profit or loss (whether of an income or capital nature)—
 - (a) arises to the person in connection with the lease, and
 - (b) in accordance with generally accepted accounting practice falls to be recognised for accounting purposes in a period of account, but
 - (c) would not, apart from this section, be brought into account in calculating the profits of the person.
- (3) The profit or loss is to be treated—
 - (a) in the case of a profit, as income of the person that is attributable to the lease,
 - (b) in the case of a loss, as a revenue expense incurred by the person in connection with the lease.
- (4) Any reference in this section to an amount falling to be recognised for accounting purposes in a period of account is a reference to an amount falling to be recognised for accounting purposes—

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (a) in the person's profit and loss account or income statement,
- (b) in the person's statement of recognised gains and losses or statement of changes in equity, or
- (c) in any other statement of items brought into account in computing the person's profits or losses for that period.

Modifications etc. (not altering text)

C3 S. 148B excluded (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 11\(8\)](#)

C4 S. 148B excluded (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 33 para. 7](#) (with [Sch. 33 paras. 4, 9](#))

148C Lessor under long funding finance lease making termination payment

- (1) This section applies for the purpose of calculating the profits of a person carrying on a trade for a period of account if he is or has been the lessor under a long funding finance lease.
- (2) Where—
 - (a) the lease terminates, and
 - (b) a sum calculated by reference to the termination value is paid to the lessee, no deduction in respect of the sum paid to the lessee is allowed in calculating the profits of the person.
- (3) This section does not prevent a deduction in respect of a sum to the extent that the sum is brought into account in determining the person's rental earnings.

[^{F4}Lessors under long funding operating leases]

Textual Amendments

F4 Pt. 2 Ch. 10A, (ss. 148A-148J) inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 81, [Sch. 8 para. 13](#)

[^{F5}148D Lessor under long funding operating lease: periodic deduction

- (1) This section applies if a person carrying on a trade is the lessor of any plant or machinery under a long funding operating lease for the whole or part of a period of account.
- (2) A deduction is allowed in calculating the profits of the person for the period of account for income tax purposes.
- (3) The amount of the deduction is so much of the expected gross reduction in value over the term of the lease as is attributable to the period of account.
- (4) The expected gross reduction in value over the term of the lease is—
 - (a) the starting value of the plant or machinery, less
 - (b) the amount which at the commencement of the term of the lease is expected to be its residual value (or, if section 148DB applies, would have been expected to be that value had that value been estimated at that time).

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (5) The expected gross reduction in value over the term of the lease that is attributable to the period of account is found by apportioning that reduction on a time basis according to the proportion of the term of the lease that falls in the period of account.
- (6) For the meaning of “starting value”, see—
 - (a) section 148DA (“starting value”: general), and
 - (b) section 148DB (“starting value” where plant or machinery originally unqualifying).
- (7) For the meaning of “residual value”, see section 148J(2).]

Textual Amendments

F5 S. 148D substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 447** (with Sch. 2)

“Starting value”: general

F6 148DA

- (1) This section is about the meaning of “starting value” in section 148D in relation to a long funding operating lease (“the section 148D lease”).
- (2) But this section does not apply if the conditions in section 148DB(2) (“starting value” where plant or machinery originally unqualifying) are met.
- (3) If the only use of the plant or machinery by the lessor has been the leasing of it under the section 148D lease as a qualifying activity, the starting value is the amount of the expenditure incurred by the lessor on the provision of the plant or machinery (“cost”).
- (4) If subsection (3) does not apply, the starting value depends on the last previous use of the plant or machinery by the lessor.
- (5) If that use was the leasing of it under another long funding operating lease as a qualifying activity, the starting value is the market value of the plant or machinery at the commencement of the term of the section 148D lease (“market value”).
- (6) If that use was the leasing of it under a long funding finance lease as a qualifying activity, the starting value is the value at which the plant or machinery is recognised in the books or other finance records of the lessor at the commencement of the term of the section 148D lease.
- (7) If that use was for the purposes of a qualifying activity other than leasing under a long funding lease, the starting value is the lower of cost and market value.
- (8) For the meaning of “qualifying activity”, see section 148J(2).

Textual Amendments

F6 Ss. 148DA, 148DB inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 448** (with Sch. 2)

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

148DB “Starting value” where plant or machinery originally unqualifying

- (1) This section applies if the conditions in subsection (2) are met in relation to a long funding operating lease to which section 148D applies.
- (2) The conditions are that—
 - (a) the lessor owns the plant or machinery as a result of having incurred expenditure on its provision for purposes other than those of a qualifying activity,
 - (b) the plant or machinery is brought into use by the lessor for the purposes of a qualifying activity on or after 1 April 2006, and
 - (c) that qualifying activity is the leasing of the plant or machinery under the lease.
- (3) For the purposes of section 148D the starting value is the lower of—
 - (a) first use market value, and
 - (b) first use amortised market value.
- (4) “First use market value” means the market value of the plant or machinery at the time when it is first brought into use for the purposes of the qualifying activity.
- (5) “First use amortised value” means the value that the plant or machinery would have at the time when it is first brought into use for the purposes of the qualifying activity on the assumptions in subsection (6).
- (6) The assumptions are that—
 - (a) the cost of acquiring the plant or machinery had been written off on a straight line basis over its remaining useful economic life, and
 - (b) any further capital expenditure incurred had been written off on a straight line basis over so much of its remaining economic life as remains at the time when the expenditure is incurred.
- (7) For the meaning of “qualifying activity”, “remaining useful economic life” and writing off on a straight line basis, see section 148J(2), section 148J(4) (and section 70YI of CAA 2001 as applied by that section) and section 148J(3) respectively.]

Textual Amendments

F6 Ss. 148DA, 148DB inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 448](#) (with [Sch. 2](#))

[^{F7}148E Long funding operating lease: lessor's additional expenditure

- (1) This section applies if in any period of account—
 - (a) a person carrying on a trade is the lessor of any plant or machinery under a long funding operating lease,
 - (b) the person incurs capital expenditure in relation to the plant or machinery (the “additional expenditure”), and
 - (c) the additional expenditure is not reflected in the market value of the plant or machinery at the commencement time (see subsection (7)).
- (2) An additional deduction is allowed in calculating the profits of the person for income tax purposes for each period of account—
 - (a) which ends after the incurring of the additional expenditure, and

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- (b) in which the person is the lessor of the plant or machinery under the lease.
- (3) The amount of the deduction is so much of the expected reduction in value of the additional expenditure (“the expected reduction”) as is attributable to the period of account.
- (4) The expected reduction is the amount of the additional expenditure, less the remaining residual value of the plant or machinery resulting from that expenditure.
- (5) For how to determine that remaining residual value, see—
 - (a) section 148EA (determination of remaining residual value resulting from lessor's first additional expenditure), and
 - (b) section 148EB (determination of remaining residual value resulting from lessor's further additional expenditure).
- (6) The amount of the expected reduction attributable to the period of account is found by apportioning that reduction on a time basis according to the proportion of the term of the lease that falls in the period of account.
- (7) In this section “the commencement time” means—
 - (a) except where section 148DB applies, the commencement of the term of the lease, and
 - (b) if that section applies, the time when the plant or machinery is first brought into use by the lessor for the purposes of the qualifying activity.]

Textual Amendments

F7 S. 148E substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 449](#) (with [Sch. 2](#))

[^{F8} 148EA] Determination of remaining residual value resulting from lessor's first additional expenditure

- (1) This section sets out how the remaining residual value of the plant or machinery resulting from the additional expenditure (“RRV”) is determined for the purposes of section 148E(4) if section 148E has not applied in relation to any previous additional expenditure incurred by the person in relation to the leased plant or machinery.
- (2) RRV depends on whether—
 - (a) the amount (“ARV”) which is expected to be the residual value of the plant or machinery at the time when the additional expenditure is incurred, exceeds
 - (b) the amount (“CRV”) which at the commencement of the term of the lease is expected to be its residual value (or, if section 148DB applies, would have been expected to be that value had that value been estimated at that time).
- (3) If ARV exceeds CRV, RRV is the part of the excess that is a result of the additional expenditure.
- (4) Otherwise, RRV is nil.
- (5) For the meaning of “residual value”, see section 148J(2).

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

Textual Amendments

F8 Ss. 148EA, 148EB inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 450** (with [Sch. 2](#))

148EB Determination of remaining residual value resulting from lessor's further additional expenditure

- (1) This section sets out how the remaining residual value of the plant or machinery resulting from the additional expenditure (“RRV”) is determined for the purposes of section 148E(4) if section 148E has applied in relation to previous additional expenditure incurred by the person in relation to the leased plant or machinery.
- (2) RRV depends on whether—
 - (a) the amount which is expected to be the residual value of the plant or machinery at the time when the further additional expenditure is incurred (“FARV”), exceeds
 - (b) the sum of the amounts in subsection (3).
- (3) Those amounts are—
 - (a) the amount which at the commencement of the term of the lease is expected to be the residual value of the plant or machinery (or, if section 148DB applies, would have been expected to be that value had that value been estimated at that time), and
 - (b) any amounts that were subtracted under section 148E(4) as the remaining residual value of the plant or machinery resulting from the previous additional expenditure.
- (4) If FARV exceeds the sum of the amounts in subsection (3), RRV is the portion of the excess that is a result of the further additional expenditure.
- (5) Otherwise, RRV is nil.
- (6) For the meaning of “residual value”, see section 148J(2).]

Textual Amendments

F8 Ss. 148EA, 148EB inserted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 450** (with [Sch. 2](#))

[^{F9}148F Lessor under long funding operating lease: termination of lease

- (1) This section applies in calculating for income tax purposes the profits of a person carrying on a trade if the person is the lessor immediately before the termination of a long funding operating lease.
- (2) If the termination amount exceeds the sum of the amounts in subsection (3), an amount equal to the excess is treated as income of the person attributable to the lease arising in the period of account in which it terminates.
- (3) The amounts referred to in subsection (2) are—

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (a) the total amounts paid to the lessee that are calculated by reference to the termination value,
 - (b) the excess relevant value for section 148D (see subsection (6)), and
 - (c) the excess expenditure for section 148E (see subsection (7)).
- (4) If the sum of the amounts in subsection (3) exceeds the termination amount, the excess is treated as a revenue expense incurred by the person in connection with the lease in the period of account in which it terminates.
- (5) No deduction is allowed in respect of any sums within subsection (3)(a).
- (6) “The excess relevant value for section 148D” is the amount (if any) by which—
- (a) the starting value of the plant or machinery for the purposes of section 148D(4) (lessor under long funding operating lease: periodic deduction), exceeds
 - (b) the total of the deductions allowable under section 148D for periods of account for the whole or part of which the person was the lessor.
- (7) “The excess expenditure for section 148E” is the amount (if any) by which—
- (a) the total of any amounts of capital expenditure incurred by the person which constitute additional expenditure in the case of the lease for the purposes of section 148E (long funding operating lease: lessor's additional expenditure), exceeds
 - (b) the total of any deductions allowable under section 148E for periods of account for the whole or part of which the person was the lessor.
- (8) For the meaning of “termination amount” and “termination value”, see sections 70YG and 70YH of CAA 2001 (as applied by section 148J(4)).]

Textual Amendments

- F9** S. 148F substituted (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 451** (with **Sch. 2**)

^{F10}Lessors under long funding finance or operating leases: avoidance etc

Textual Amendments

- F10** S. 148FA and cross-heading inserted (with effect in accordance with Sch. 20 para. 10(5) of the amending Act) by Finance Act 2008 (c. 9), **Sch. 20 para. 10(2)**

148FA Cases where ss. 148A to 148F do not apply: plant or machinery held as trading stock

- (1) Sections 148A to 148F do not apply in the case of a person carrying on a trade who is or has been the lessor of any plant or machinery under a long funding lease if the following condition is met.
- (2) The condition is that any part of the expenditure incurred by the person on the acquisition of the plant or machinery for leasing under the lease—
 - (a) is (apart from those sections) allowable as a deduction in calculating the profits or losses of the trade, and

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (b) is so allowable as a result of the plant or machinery forming part of the trading stock of the trade.
- (3) For the purposes of this section the cases in which expenditure incurred by a person carrying on a trade on the acquisition of any plant or machinery for leasing under a lease is allowable as such a deduction include any case where—
 - (a) the person becomes entitled to the deduction at any time after the expenditure is incurred, and
 - (b) the deduction arises as a result of the plant or machinery forming part of the trading stock of the trade at that time.
- (4) If—
 - (a) at any time any of sections 148A to 148F has applied for determining the amounts to be taken into account in calculating the profits or losses of the trade, and
 - (b) the condition in subsection (2) is met at any subsequent time,
 those amounts, and any other amounts which (as a result of this section) are to be so taken into account, are subject to such adjustments as are just and reasonable.
- (5) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (4).]

148FB **Cases where ss. 148A to 148F do not apply: lessor also lessee under non-long funding lease**

- (1) This section applies if—
 - (a) a person is the lessee of any plant or machinery under a lease (“lease A”) that is not a long funding lease,
 - (b) the person enters into a lease (“lease B”) of any of that plant or machinery (as lessor), and
 - (c) lease B is a long funding lease.
- (2) Sections 148A to 148F do not apply in relation to lease B.
- (3) If by virtue of section 70H of CAA 2001 (tax return by lessee treating lease as long funding lease) lease A becomes a long funding lease (and does not cease to be such a lease), treat this section as never having applied in relation to lease B.]

Textual Amendments

F11 S. 148FB inserted (with effect in accordance with Sch. 20 para. 10(6) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 10\(3\)](#)

148FC **Cases where ss. 148A to 148F do not apply: other avoidance**

- (1) Sections 148A to 148F do not apply in the case of a person carrying on a trade who is or has been the lessor of any plant or machinery under a long funding lease if conditions A to C are met.
- (2) Condition A is that the long funding lease forms part of any arrangement entered into by the person which includes one or more other transactions (whether the arrangement is entered into before or after or at the inception of the lease).

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (3) Condition B is that the main purpose, or one of the main purposes, of the arrangement is to secure that, over the relevant period, there would be a substantial difference between—
- (a) the total amount of the amounts under the arrangement which are, in accordance with generally accepted accounting practice, recognised in determining the profit or loss of the trade for any period or taken into account in calculating the amounts which are so recognised, and
 - (b) the total amount of the amounts under the arrangement which are taken into account in calculating the profits or losses of the trade.
- (4) For the purposes of condition B “the relevant period” means the period which begins with the inception of the lease and ends with the end of the term of the lease.
- (5) Condition C is that the difference would be attributable (wholly or partly) to the application of any of sections 148A to 148F in relation to the person by reference to the plant or machinery under the lease.
- (6) The reference in this section to an amount being recognised in determining the profit or loss of a trade for a period is to an amount being recognised for accounting purposes—
- (a) in the profit and loss account or income statement relating to the trade,
 - (b) in the statement of recognised gains and losses or statement of changes in equity relating to the trade, or
 - (c) in any other statement of items brought into account in calculating the profits and losses of the trade for that period.
- (7) For the purposes of this section it does not matter whether the parties to any transaction which forms part of the arrangement differ from the parties to any of the other transactions.
- (8) For the purposes of this section the cases in which two or more transactions are to be taken as forming part of an arrangement include any case in which it would be reasonable to assume that one or more of them—
- (a) would not have been entered into independently of the other or others, or
 - (b) if entered into independently of the other or others, would not have taken the same form or been on the same terms.
- (9) If—
- (a) at any time any of sections 148A to 148F has applied for determining the amounts to be taken into account in calculating the profits or losses of the trade, and
 - (b) conditions A to C are met at any subsequent time,
- those amounts, and any other amounts which (as a result of this section) are to be so taken into account, are subject to such adjustments as are just and reasonable.
- (10) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (9).]

Textual Amendments

F12 S. 148FC inserted (with effect in accordance with Sch. 20 para. 10(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 20 para. 10\(4\)](#)

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

148FD Cases where ss 148A to 148F do not apply: films

- 148FD** (1) If a person is or has been a lessor under a long funding lease of a film, sections 148A to 148F do not apply in respect of the lease.
- (2) “Film” has the same meaning as in Part 15 of CTA 2009 (see section 1181 of that Act).]

Textual Amendments

F13 S. 148FD inserted (with effect in accordance with Sch. 33 para. 3 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 33 para. 2](#) (with [Sch. 33 para. 9](#))

148G Lessee under long funding finance lease: limit on deductions

148G Lessee under long funding finance lease: limit on deductions

- (1) This section applies for the purpose of calculating the profits of a person carrying on a trade, profession or vocation for a period of account in which the person is the lessee of any plant or machinery under a long funding finance lease.
- (2) In calculating the person's profits for the period of account,—
- the amount deducted in respect of amounts payable under the lease, must not exceed
 - the amounts which, in accordance with generally accepted accounting practice, fall (or would fall) to be shown in the person's accounts as finance charges in respect of the lease.
- (3) If the lease is one which, under generally accepted accounting practice, falls (or would fall) to be treated as a loan, subsection (2) applies as if the lease were one which, under generally accepted accounting practice, fell to be treated as a finance lease.

148H Lessee under long funding finance lease: termination

- (1) This section applies where—
- a person carrying on a trade, profession or vocation is or has been the lessee under a long funding finance lease, and
 - in connection with the termination of the lease, a payment calculated by reference to the termination value falls to be made to the person.
- (2) The payment is not to be brought into account in calculating the profits of the person for any period of account.
- (3) Subsection (2) does not affect the amount of any disposal value that falls to be brought into account by the person under CAA 2001.

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

[^{F15}Lessees under long funding operating leases]

Textual Amendments

F15 Pt. 2 Ch. 10A inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 81, [Sch. 8 para. 13](#)

148I Lessee under long funding operating lease

- (1) This section applies for the purpose of calculating the profits of a person carrying on a trade, profession or vocation for a period of account in which the person is the lessee of any plant or machinery under a long funding operating lease.
- (2) The deductions that may be allowed in calculating the profits of the person for the period of account are to be reduced in accordance with the following provisions of this section.
- (3) The amount of the reduction for any period of account is to be determined as follows.
- (4) First, find the “relevant value” for the purposes of subsection (6)(a), which is—
 - (a) the market value of the plant or machinery at the commencement of the term of the lease, unless paragraph (b) applies;
 - (b) if the lessee—
 - (i) owns the plant or machinery as a result of having incurred expenditure on its provision for purposes other than those of a qualifying activity, but
 - (ii) brings the plant or machinery into use for the purposes of a qualifying activity on or after 1st April 2006,
 the lower of first use market value and first use amortised market value.
- (5) In subsection (4)—

“first use amortised market value” means the value that the plant or machinery would have—

 - (a) at the time when it is first brought into use for the purposes of the qualifying activity, but
 - (b) on the assumption that the market value of the plant or machinery at the commencement of the term of the lease had been written off on a straight line basis over the remaining useful economic life of the plant or machinery;

“first use market value” means the market value of the plant or machinery at the time when it is first brought into use for the purposes of the qualifying activity.
- (6) From—
 - (a) the relevant value determined in accordance with subsection (4),
subtract
 - (b) the amount which, at the commencement of the term of the lease, is (or, in a case falling within subsection (4)(b), would have been) expected to be the market value of the plant or machinery at the end of the term of the lease,
 to find the expected gross reduction over the term of the lease.

Status: Point in time view as at 15/09/2016.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A. (See end of Document for details)

- (7) Apportion the amount of that expected gross reduction to each period of account in which any part of the term of the lease falls.
- (8) The apportionment must be on a time basis according to the proportion of the term of the lease that falls in each period of account.
- (9) The amount of the reduction for any period of account is the amount so apportioned to that period.

[^{F16}Interpretation of this Chapter]

Textual Amendments

F16 Pt. 2 Ch. 10A inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 81, [Sch. 8 para. 13](#)

148J Interpretation of Chapter 10A

- (1) This section has effect for the interpretation of this Chapter.
- (2) In this Chapter—
 - “qualifying activity” has the same meaning as in Part 2 of CAA 2001;
 - “residual value”, in relation to any plant or machinery leased under a long funding operating lease, means—
 - (a) the estimated market value of the plant or machinery on a disposal at the end of the term of the lease,
 - less
 - (b) the estimated costs of that disposal.
- (3) Any reference in this Chapter to a sum being written off on a straight line basis over a period of time (the “writing-off period”) is a reference to—
 - (a) the sum being apportioned between each of the periods of account in which any part of the writing-off period falls,
 - (b) that apportionment being made on a time basis, according to the proportion of the writing-off period that falls in each of the periods of account, and
 - (c) the sum being written off accordingly.
- (4) Chapter 6A of Part 2 of CAA 2001 (interpretation of that Part so far as relating to long funding leases) also applies for the purposes of this Chapter.]

Status:

Point in time view as at 15/09/2016.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Chapter 10A.