



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

[^{F1}CHAPTER 6A

INTERPRETATION OF PROVISIONS ABOUT LONG FUNDING LEASES

Interpretation

[^{F1}70YI General definitions

(1) Construe these expressions as follows—

“absolute owner”, in the application of this Chapter in relation to Scotland, means the owner;

“arrangement” includes any transaction or series of transactions;

“background plant or machinery for a building” is to be construed in accordance with sections 70R to 70T;

“building” includes a reference to—

- (a) a structure,
- (b) part of a building or structure;

“commencement”, in relation to the term of a lease, means the date on and after which the lessee is entitled to exercise his right to use the complete leased asset under the lease;

for this purpose an asset is to be regarded as complete if its construction is substantially complete;

“derived lease” is to be construed in accordance with section 70L;

“the finance lease test” means the finance lease test in section 70N;

“fixture”—

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 70YI. (See end of Document for details)

- (a) means any plant or machinery that is so installed or otherwise fixed in or to a building or other description of land as to become, in law, part of that building or other land, and
- (b) includes any boiler or water-filled radiator installed in a building as part of a space or water heating system;

“funding lease” has the meaning given by section 70J;

“inception”, in relation to a plant or machinery lease, means the earliest date on which the following conditions are met—

- (a) there is a contract in writing for the lease between the lessor and the lessee,
- (b) either—
 - (i) the contract is unconditional, or
 - (ii) if it is conditional, the conditions have been met,
- (c) no terms remain to be agreed;

“initial payment”, in the case of a plant or machinery lease, means a payment by the lessee—

- (a) at or before the time when the lease is entered into, and
- (b) in respect of the plant or machinery which is the subject of the lease;

“lease” includes any agreement or arrangement which is or includes a plant or machinery lease (and “lessor”, “lessee” and other related expressions are to be construed accordingly);

“lease”, in relation to land, includes—

- (a) an underlease, sublease or any tenancy,
- (b) in England and Wales or Northern Ireland, an agreement for a lease, underlease, sublease, or tenancy,
- (c) in Scotland, an agreement (including missives of let not constituting a lease) under which a lease, sublease or tenancy is to be executed,
- (d) in the case of land situated outside the United Kingdom, any interest corresponding to a lease as so defined,

and “lessor”, “lessee” and other related expressions are to be construed accordingly;

“lease”, in relation to plant or machinery, includes a sublease (and “lessor”, “lessee” and other related expressions are to be construed accordingly);

“lessee”, in relation to a lease, includes any person entitled to the lessee's interest under the lease;

“lessor”, in relation to a lease, includes any person entitled to the lessor's interest under the lease;

“long funding lease” has the meaning given by section 70G;

[^{F2}“long funding finance lease” means-

- (a) in relation to any person, a long funding lease that meets the finance lease test by virtue of section 70N(1)(a), or
- (b) in relation to a lessee, a right-of-use lease which is a long funding lease—
 - (i) that meets the lease payments test in section 70O or the useful economic life test in section 70P, but
 - (ii) is not a lease that, before a relevant change of classification, was a long funding operating lease;]

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“long funding operating lease” means a long funding lease which is not a long funding finance lease;

“market value”, in relation to plant or machinery, is to be construed in accordance with subsection (2);

“minimum lease payments” has the meaning given by section 70YE;

“mixed lease” is to be construed in accordance with section 70L;

“plant or machinery lease” has the meaning given by section 70K (and see also sections 70L and 70M);

[^{F3}“relevant change of classification” has the meaning given by section 70YA(11);]

“remaining useful economic life”, in the case of any leased plant or machinery, is the period—

- (a) beginning with the commencement of the term of the lease, and
- (b) ending when the asset is no longer used, and no longer likely to be used, by any person for any purpose as a fixed asset of a business;

[^{F3}“right-of-use lease” , in relation to a lessee, means a lease in respect of which, under generally accepted accounting practice—

- (a) a right-of-use asset falls (or would fall) at the commencement date of the lease to be recognised for accounting purposes in the accounts of the lessee, or
- (b) a right-of-use asset would fall to be so recognised but for the lessee granting a sublease of the leased asset,

and, in determining whether a lease falls within paragraph (a) or (b) at any time in an accounting period, it is to be assumed that the accounting policy applied in drawing up the lessee's accounts for the period also applied at the commencement date of the lease;]

“short lease” is to be construed in accordance with section 70I;

“the term”, in relation to a lease, is to be construed in accordance with section 70YF (but see also section 70YC(5) (extension, for certain purposes, of term of lease that is not a long funding lease));

“termination”, in relation to a lease,—

- (a) means the coming to an end of the lease, whether by effluxion of time or in any other way, and
- (b) includes in particular the bringing to an end of the lease by any person or by operation of law,

and related expressions are to be construed accordingly;

“termination amount” is to be construed in accordance with section 70YG;

“termination value” is to be construed in accordance with section 70YH.

(2) The market value of any plant or machinery at any time is to be determined on the assumption of a disposal by an absolute owner free from all leases and other encumbrances.

(3) In relation to a lease, any reference to plant or machinery includes a reference to fixtures.

^{F4}(4)

(5) Any necessary apportionments under or by virtue of this Chapter are to be made on a just and reasonable basis.]

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 70YI. (See end of Document for details)

Textual Amendments

- F1** Pt. 2 Ch. 6A inserted (with effect in accordance with Sch. 8 para. 15 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 8 para. 7**
- F2** Words in s. 70YI(1) substituted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(5)(a)**
- F3** Words in s. 70YI(1) inserted (with effect in accordance with Sch. 14 para. 6(1) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), **Sch. 14 para. 1(5)(b)**
- F4** S. 70YI(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 399](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 70YI.