



Income Tax Act 2007

2007 CHAPTER 3

[^{F1}PART 11A

LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS]

[^{F1}CHAPTER 2

FINANCE LEASES WITH RETURN IN CAPITAL FORM

Relief for bad debts by reduction of cumulative rental excesses

[^{F1}614BI] **Relief for bad debts: reduction of cumulative accountancy rental excess**

- (1) This section applies if in relation to the lease for any period of account of the current lessor—
 - (a) there is a cumulative accountancy rental excess, and
 - (b) a bad debt deduction falls to be made in respect of rent from the lease.
- (2) If for that period—
 - (a) the accountancy rental earnings in relation to the lease exceed the normal rent, and
 - (b) the amount of the bad debt deduction exceeds the amount of the accountancy rental earnings,the cumulative accountancy rental excess for that period is reduced by the amount of the excess of that deduction over those earnings (but not so as to reduce the amount of that rental excess below nil).
- (3) Subsections (4) and (5) apply if for that period the accountancy rental earnings in relation to the lease do not exceed the normal rent.
- (4) The amount of the cumulative accountancy rental excess that may be set against the taxable rent for that period under section 614BI(2) (reduction of taxable rent by the

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cumulative accountancy rental excess) is limited to the amount (if any) by which the normal rent exceeds the bad debt deduction.

(5) If for that period the bad debt deduction exceeds the normal rent, the cumulative accountancy rental excess for that period is reduced by the amount of that excess (but not so as to reduce the amount of that rental excess below nil).

(6) In this section—

“bad debt deduction”, in relation to a period of account of the lessor, means the total of any sums falling within section 35(1)(a), (b) or (c) of ITTOIA 2005 in respect of amounts in respect of rents from the lease of the asset which are deductible as expenses for that period, and

“taxable rent” has the meaning given in section 614BG(2).]

Textual Amendments

F1 Pt. 11A Ch. 2 inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 3 para. 3](#) (with [Sch. 9 paras. 1-9, 22](#))

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