



Corporation Tax Act 2010

2010 CHAPTER 4

PART 9 **U.K.**

LEASING PLANT OR MACHINERY

CHAPTER 2 **U.K.**

LONG FUNDING LEASES OF PLANT OR MACHINERY

Lessors under long funding operating leases

363 Lessor under long funding operating lease: periodic deduction **U.K.**

- (1) This section applies if a company 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 company for the period of account for corporation 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 365 applies, would have been expected to be that value had that value been estimated at that time).
- (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 364 (“starting value”: general), and

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(b) section 365 (“starting value” where plant or machinery originally unqualifying).

(7) For the meaning of “residual value”, see section 381(4).

364 “Starting value”: general **U.K.**

- (1) This section is about the meaning of “starting value” in section 363 in relation to a long funding operating lease (“the section 363 lease”).
- (2) But this section does not apply if the conditions in section 365(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 363 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 363 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 363 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 381(4).

365 “Starting value” where plant or machinery originally unqualifying **U.K.**

- (1) This section applies if the conditions in subsection (2) are met in relation to a long funding operating lease to which section 363 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 363 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.

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- (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 381(4), (3)(i) and (5) respectively.

366 Long funding operating lease: lessor's additional expenditure **U.K.**

- (1) This section applies if in any period of account—
 - (a) a company is the lessor of any plant or machinery under a long funding operating lease,
 - (b) the company 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 company for each period of account—
 - (a) which ends after the incurring of the additional expenditure, and
 - (b) in which the company 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 367 (determination of remaining residual value resulting from lessor's first additional expenditure), and
 - (b) section 368 (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 365 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.

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367 Determination of remaining residual value resulting from lessor's first additional expenditure **U.K.**

- (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 366(4) if section 366 has not applied in relation to any previous additional expenditure incurred by the company 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 365 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 381(4).

368 Determination of remaining residual value resulting from lessor's further additional expenditure **U.K.**

- (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 366(4) if section 366 has applied in relation to previous additional expenditure incurred by the company in relation to the leased plant or machinery.
- (2) RRV depends on whether—
 - (a) the amount (“FARV”) which is expected to be the residual value of the plant or machinery at the time when the further additional expenditure is incurred, 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 365 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 366(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 381(4).

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369 Lessor under long funding operating lease: termination of lease **U.K.**

- (1) This section applies in calculating the profits of a company for corporation tax purposes if it is the lessor immediately before the termination of a long funding operating lease.
- (2) If the termination amount (see section 381(3)(l)) exceeds the sum of the amounts in subsection (3), an amount equal to the excess is treated as income of the company attributable to the lease arising in the period of account in which it terminates.
- (3) The amounts referred to in subsection (2) are—
 - (a) the total amounts paid to the lessee that are calculated by reference to the termination value (see section 381(3)(m)),
 - (b) the excess relevant value for section 363 (see subsection (6)), and
 - (c) the excess expenditure for section 366 (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 company 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 363” is the amount (if any) by which—
 - (a) the starting value of the plant or machinery for the purposes of section 363(4) (lessor under long funding operating lease: periodic deduction), exceeds
 - (b) the total of the deductions allowable under section 363 for periods of account for the whole or part of which the company was the lessor.
- (7) “The excess expenditure for section 366” is the amount (if any) by which—
 - (a) the total of any amounts of capital expenditure incurred by the company which constitute additional expenditure in the case of the lease for the purposes of section 366 (long funding operating lease: lessor's additional expenditure), exceeds
 - (b) the total of any deductions allowable under section 366 for periods of account for the whole or part of which the company was the lessor.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 357CHA omitted by [2024 c. 3 Sch. 2 para. 14\(7\)](#)
- s. 658(1)(d)(e) inserted by [2010 c. 13 Sch. 6 para. 31](#) (This amendment not applied to [legislation.gov.uk](#). Sch. 6 para. 31 omitted (retrospective to 6.4.2010) by virtue of Finance Act 2012 (c. 14), s. 52(2) (3))