



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 9

#### LEASING PLANT OR MACHINERY

### CHAPTER 2

#### LONG FUNDING LEASES OF PLANT OR MACHINERY

#### *Interpretation*

#### **381 Interpretation of Chapter**

- (1) Chapter 6A of Part 2 of CAA 2001 (interpretation of provisions about long funding leases) applies in relation to this Chapter as it applies in relation to that Part.
- (2) Accordingly—
  - “the finance lease test” means the finance lease test in section 70N of CAA 2001,
  - “long funding lease” has the meaning given by section 70G of that Act,
  - “long funding finance lease” means a long funding lease that meets the finance lease test as a result of section 70N(1)(a) of that Act, and
  - “long funding operating lease” means a long funding lease that is not a long funding finance lease.
- (3) As to the meaning of the following other expressions used in this Chapter and defined in Chapter 6A of Part 2 of CAA 2001, see—
  - (a) for “commencement”, in relation to the term of a lease, section 70YI(1) of that Act,
  - (b) for “inception”, section 70YI(1) of that Act,
  - (c) for “lease”, section 70YI(1) of that Act,
  - (d) for “lessee”, section 70YI(1) of that Act,

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*Status: This is the original version (as it was originally enacted).*

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- (e) for “lessor”, section 70YI(1) of that Act,
  - (f) for “market value”, in relation to plant or machinery, section 70YI(2) of that Act,
  - (g) for “plant or machinery”, in relation to a lease, section 70YI(3) of that Act,
  - (h) for “plant or machinery lease”, section 70YI(1) of that Act,
  - (i) for “remaining useful economic life”, section 70YI(1) of that Act,
  - (j) for “the term”, in relation to a lease, section 70YI(1) of that Act,
  - (k) for “termination”, section 70YI(1) of that Act,
  - (l) for “termination amount”, section 70YG of that Act, and
  - (m) for “termination value”, section 70YH of that Act.
- (4) In this Chapter—
- “qualifying activity” has the same meaning as in Part 2 of CAA 2001, and
  - “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.
- (5) 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.