



Corporation Tax Act 2010

2010 CHAPTER 4

PART 19

SALE AND LEASE-BACK ETC

CHAPTER 4

LEASED ASSETS: CAPITAL SUMS

Charge to corporation tax

875 Hire-purchase agreements

- (1) This section applies if—
 - (a) the lease is a hire-purchase agreement (as defined in section 1129), and
 - (b) the capital sum is obtained in respect of the lessee's interest in the lease (whether it is obtained by the person making the payment or by an associate).
- (2) Find the total of the following amounts—
 - (a) so much of any payment made under the lease by the company obtaining the capital sum as is not a payment for which a deduction by way of relevant tax relief is allowed, and
 - (b) if the lessee's interest was assigned to the company obtaining the capital sum, any capital payment made by that company as consideration for the assignment.
- (3) If the total of the amounts found under subsection (2) is equal to or greater than the capital sum, the charge to corporation tax on income is not applied by section 874 in respect of the capital sum.
- (4) If the total of those amounts is less than the capital sum, in applying section 874(4) that total must be deducted from the capital sum.

Status: Point in time view as at 15/09/2016.

Changes to legislation: Corporation Tax Act 2010, Section 875 is up to date with all changes known to be in force on or before 05 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (5) If the capital sum is the consideration for part only of the lessee's interest in the lease—
- (a) any amount found under subsection (2) (and still unallowed) must be reduced to a just and reasonable proportion of it, and
 - (b) in calculating that proportion account must be taken of the degree to which the payments mentioned in subsection (2) have contributed to the value of what is disposed of in return for the capital sum.
- (6) Subsection (7) applies if—
- (a) more than one capital sum is (or is treated as) obtained by the same company in respect of the lessee's interest in the lease, and
 - (b) in arriving at a total under subsection (2) a payment is taken into account in respect of one of the capital sums.
- (7) So far as the payment is so taken into account it must not be taken into account in applying subsection (2) to another of the capital sums.
- (8) The order in which subsections (6) and (7) are applied is the order in which capital sums are obtained.

Status:

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

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