



# Finance Act 2022

## 2022 CHAPTER 3

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

##### *Changes in accounting standards etc*

#### **29 Insurance contracts: change in accounting standards**

Schedule 5 makes provision in connection with International Financial Reporting Standard 17 (insurance contracts) issued by the International Accounting Standards Board.

#### **30 Deductions allowance in connection with onerous or impaired leases**

- (1) Part 7ZA of CTA 2010 (restrictions on obtaining certain deductions) is amended in accordance with subsections (2) to (15).
- (2) Section 269ZX (increase of deductions allowance where provision for onerous lease reversed) is amended in accordance with subsections (3) to (6).
- (3) In the heading, for “where provision for onerous lease reversed” substitute “in connection with onerous or impaired leases”.
- (4) In subsection (1)(a), for “relevant reversal credit (see section 269ZY)” substitute “relevant credit”.
- (5) After subsection (1) insert—

“(1A) In this section “relevant credit” means a relevant reversal credit, a relevant remeasurement credit or a relevant variable lease payment (see sections 269ZY and 269ZYZA).”
- (6) In subsection (3)(a), for “relevant reversal credit” substitute “relevant credit (or, if there is more than one, the sum of the relevant credits)”.

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- (7) Section 269ZY (meaning of “relevant reversal credit”) is amended in accordance with subsections (8) to (13).
- (8) In subsection (1), for “a relevant onerous lease provision” substitute “—  
 (a) a relevant onerous lease provision (see subsection (2)), or  
 (b) a relevant right-of-use asset impairment loss (see subsection (2A)).”
- (9) In subsection (2)(b), for “accountancy” substitute “accounting”.
- (10) After subsection (2) insert—  
 “(2A) A loss in the accounts of a company (“C”) is a “relevant right-of-use asset impairment loss” if—  
 (a) the loss relates to an asset (a “right-of-use asset”) recognised in the accounts to reflect C’s right to use land as the tenant under a lease (where “L” is the landlord),  
 (b) the loss is required to be recognised, for accounting purposes, because the right-of-use asset is impaired, and  
 (c) the lease was entered into at arm’s length.”
- (11) In subsection (3)—  
 (a) after “provision” insert “or a relevant right-of-use asset impairment loss”, and  
 (b) in paragraph (a), for “accountancy” substitute “accounting”.
- (12) In subsection (5), after “provision” insert “or a relevant right-of-use asset impairment loss”.
- (13) After subsection (9) insert—  
 “(9A) For the purposes of subsection (2A)(b), where a company’s accounts previously included provision for an onerous lease, any right-of-use asset included in the accounts in respect of that lease is to be treated as impaired, unless there has been a material change of circumstances.”
- (14) After section 269ZY insert—

**“269ZYZA Other relevant credits**

- (1) For the purposes of section 269ZX a “relevant remeasurement credit” is a credit, or other income, brought into account in respect of a relevant remeasurement excess.
- (2) There is a “relevant remeasurement excess” where—  
 (a) a company (“C”) is the tenant under a lease of land (and “L” is the landlord),  
 (b) C’s accounts include a relevant right-of-use asset impairment loss in connection with the lease,  
 (c) under an arrangement (“C’s arrangement”) made at arm’s length, C’s obligations under the lease are varied or cancelled,  
 (d) as a result of C’s arrangement, C is required, for accounting purposes, to remeasure the lease liability in relation to the lease,  
 (e) the remeasurement results in the lease liability being reduced by an amount which exceeds the amount of the right-of-use asset recognised

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- in relation to the lease (taking account of any right-of-use asset impairment loss), and
- (f) the relevant requirements are met (see subsection (5)).
- (3) For the purposes of section 269ZX a variable lease payment is “relevant” if it is a credit, or other income, brought into account in circumstances described in subsection (4).
- (4) Those circumstances are where—
- (a) a company (“C”) is the tenant under a lease of land (and “L” is the landlord),
- (b) C’s accounts include a relevant right-of-use asset impairment loss in connection with the lease,
- (c) under an arrangement (“C’s arrangement”) made at arm’s length, there is a change in the payments that would have been payable by C under the lease on or before 30 June 2022,
- (d) the change would not have been made if it were not for coronavirus,
- (e) for accounting purposes, C opts to record the change by means of variable lease payments (rather than by remeasuring its lease liability in relation to the lease), and
- (f) the relevant requirements are met (see subsection (5)).
- (5) For the purposes of subsections (2) and (4), the relevant requirements are met if—
- (a) the requirements in section 269ZY(3)(b) and (c), or
- (b) the requirements in section 269ZY(3)(c) and (5)(a), (b), (d) and (e), are met in relation to C, L and C’s arrangement (as defined in subsection (2) or (4), as appropriate).
- (6) In determining whether a company is required to account as described in subsection (2)(d), ignore any option the company has to account as described in subsection (4)(e).
- (7) The Treasury may by regulations substitute for the date for the time being specified in subsection (4)(c) such later date as they consider appropriate.
- (8) In this section—
- “coronavirus” means severe acute respiratory syndrome coronavirus 2;
- “lease liability”, in relation to a company and a lease, means a liability recognised in the company’s accounts to reflect the company’s obligations as tenant under the lease;
- “right-of-use asset”, in relation to a company and a lease, means an asset recognised in the company’s accounts to reflect the company’s right to use land as the tenant under the lease;
- “relevant right-of-use impairment loss” has the meaning given in section 269ZY(2A).”
- (15) In section 269ZZ(1)(b) (company tax return to specify amount of deductions allowance), for “where provision for onerous lease reversed” substitute “in connection with onerous or impaired leases”.

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- (16) In section 371SKA(3) of TIOPA 2010 (restrictions on certain deductions by controlled foreign companies: deductions allowances), for “where provision for onerous lease reversed” substitute “in connection with onerous or impaired leases”.
- (17) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 January 2019.
- (18) An amendment of a company tax return falling within subsection (19) may be made at any time before 1 January 2023.
- (19) An amendment of a company tax return falls within this subsection to the extent that—
  - (a) the amendment is made in consequence of the amendments of CTA 2010 made by this section, and
  - (b) the time limits otherwise applicable would require the amendment to be made (or to have been made) by a date falling before 1 January 2023.

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