



# Finance Act 2022

## 2022 CHAPTER 3

### PART 1 **U.K.**

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

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

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

- (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)”.
- (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)).”

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- (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 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).

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- (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”.
- (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.

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- (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.

**Changes to legislation:**

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