SCHEDULES

SCHEDULE 9

LEASES OF PLANT OR MACHINERY: MISCELLANEOUS AMENDMENTS

CAPITAL ALLOWANCES ACT 2001

Capital allowances: allocation of expenditure to a chargeable period

15 (1) Section 220 of CAA 2001 is amended as follows.

(2) Before subsection (1) insert—

"(A1) Subsection (1) applies to a company for a chargeable period if—
(a) at the end of the ICTA period of account which is the basis period for the chargeable period, the company is a member of a group, and
(b) the last day of that ICTA period of account is not also the last day of an ICTA period of account of the principal company of the group.".

(3) In subsection (1)—
(a) for "a person" substitute " the company ",
(b) for "a chargeable period" substitute " the chargeable period ",
(c) after "under a finance lease" insert " or under a qualifying operating lease (see subsection (4)) ", and
(d) for "person's", in both places, substitute " company's ".

(4) After subsection (2) insert—

"(3) The following provisions have effect for the interpretation of this section.

(4) A "qualifying operating lease" is a plant or machinery lease that meets the following conditions—
(a) it is not a finance lease,
(b) it is a funding lease,
(c) its term is longer than 4 years but not longer than 5 years.

(5) An ICTA period of account is the basis period for a chargeable period if the chargeable period coincides with, or falls within, the ICTA period of account.

(6) An "ICTA period of account" is a period of account as defined in section 832(1) of ICTA.

(7) The provisions of section 170(3) to (6) of TCGA 1992 apply to determine for the purposes of this section—
(a) whether a company is member of a group, and
(b) which company is the principal company of the group.

(8) But, in applying those provisions for the purposes of this section, a company ("the subsidiary company") that does not have ordinary share capital is to be treated as being a qualifying 75% subsidiary of another company ("the parent company") if the parent company—

(a) has control of the subsidiary company, within the meaning of section 840 of ICTA, and

(b) is beneficially entitled to the appropriate proportion of profits and assets.

(9) The parent company is beneficially entitled to the appropriate proportion of profits and assets if (and only if) it—

(a) is beneficially entitled to at least 75% of any profits available for distribution to equity holders of the subsidiary company, and

(b) would be beneficially entitled to at least 75% of any assets of the subsidiary company available for distribution to its equity holders on a winding-up.

(10) The provisions of Schedule 18 to ICTA (equity holders and profits or assets etc) also apply for the purposes of this section.

(11) In this section, the following expressions have the same meaning as in Chapter 6A of Part 2 (interpretation of provisions about long funding leases) —

"funding lease",
"plant or machinery lease",
"term", in relation to a lease.".

(5) In consequence of the amendments made by this paragraph, the italic cross-heading preceding section 219 becomes " Finance leases and certain operating leases ".

(6) The amendments made by this paragraph have effect in relation to expenditure incurred on or after 1st April 2006.

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2006, Cross Heading: Capital allowances: allocation of expenditure to a chargeable period.