
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2019, Paragraph 1. (See end of Document for details)

SCHEDULES

SCHEDULE 14

LEASES: CHANGES TO ACCOUNTING STANDARDS ETC

PART 1

FINANCE LEASES: AMENDMENTS AS A RESULT OF CHANGES TO ACCOUNTING STANDARDS

- 1 (1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.
- (2) In section 67 (plant or machinery treated as owned by person entitled to benefit of contract, etc), in subsection (2B), for the words from “falls (or would fall)” to the end substitute “—
- (a) falls (or would fall) to be treated by that person in accordance with generally accepted accounting practice as a finance lease, or
 - (b) if that person is a lessee under a right-of-use lease, would fall to be treated in that person's accounts as a finance lease were that person required under generally accepted accounting practice to determine whether the lease falls to be so treated.”
- (3) In section 70E (disposal events and disposal values), in subsection (2D)(a), after “finance charges” insert “, or interest expenses, ”.
- (4) In section 70YA (changes in accountancy classification of long funding leases)—
- (a) in subsection (1)(b), for “or an operating lease” substitute “, an operating lease or a right-of-use lease ”,
 - (b) in subsection (4)—
 - (i) for “or an operating lease” substitute “, an operating lease or a right-of-use lease ”, and
 - (ii) for “and (6)” substitute “ to (6A) ”,
 - (c) in subsection (5)—
 - (i) omit the “and” at the end of paragraph (a), and
 - (ii) after paragraph (b) insert “and
 - (c) the change of classification is not a relevant change of classification.”,
 - (d) in subsection (6)—
 - (i) omit the “and” at the end of paragraph (a), and
 - (ii) after paragraph (b) insert “and
 - (c) the change of classification is not a relevant change of classification.”,
 - (e) after subsection (6) insert—

“(6A) Case 3 is where—

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- (a) immediately before the relevant time, the lease is a right-of-use lease which is a long funding finance lease, and
- (b) at the relevant time, the lease becomes one which—
 - (i) is not a right-of use lease, and
 - (ii) falls (or would fall) to be treated in the relevant accounts in accordance with generally accepted accounting practice as not being a finance lease.”, and
- (f) after subsection (10) insert—

“(11) In this section—

“relevant change of classification” means a change of accountancy classification as a result of the person adopting a different accounting standard or a change to an accounting standard, and

“accounting standard” means any accounting standard issued or recognised by—

- (a) the Accounting Standards Board (or successor body), or
- (b) the International Accounting Standards Board (or successor body).”

(5) In section 70YI (general definitions), in subsection (1)—

(a) for the definition of “long funding finance lease” substitute—

““long funding finance lease” means—

- (a) in relation to any person, a long funding lease that meets the finance lease test by virtue of section 70N(1)(a), or
- (b) in relation to a lessee, a right-of-use lease which is a long funding lease—
 - (i) that meets the lease payments test in section 70O or the useful economic life test in section 70P, but
 - (ii) is not a lease that, before a relevant change of classification, was a long funding operating lease;”, and

(b) at the appropriate places insert—

““relevant change of classification” has the meaning given by section 70YA(11);”;

““right-of-use lease”, in relation to a lessee, means a lease in respect of which, under generally accepted accounting practice—

- (a) a right-of-use asset falls (or would fall) at the commencement date of the lease to be recognised for accounting purposes in the accounts of the lessee, or
- (b) a right-of-use asset would fall to be so recognised but for the lessee granting a sublease of the leased asset,

and, in determining whether a lease falls within paragraph (a) or (b) at any time in an accounting period, it is to be assumed that the accounting policy applied in drawing up the lessee's accounts for the period also applied at the commencement date of the lease;”.

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- (6) In section 228J (anti-avoidance: plant or machinery subject to further operating lease), in subsection (7)—
- (a) for paragraph (a) substitute—
 - “(a) the lease—
 - (i) falls, under generally accepted accounting practice, to be treated in that person's accounts as a finance lease or loan, or
 - (ii) if that person is a lessee under a right-of-use lease, would fall to be treated in that person's accounts as a finance lease were that person required under generally accepted accounting practice to determine whether the lease falls to be so treated,” and
 - (b) in paragraph (b), for the words from “fall” to the end substitute “—
 - (i) fall, under generally accepted accounting practice, to be treated as a finance lease or loan, or
 - (ii) if that person is a lessee under a right-of-use lease, would fall to be treated in that person's accounts as a finance lease were that person required under generally accepted accounting practice to determine whether the arrangements fall to be so treated.”

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