HMRC - OT22020 - Sale And Leaseback Finance Charges

CTA10\S288

CTA10\S288 (formerly ICTA88\S494AA) applies where a company sells an asset on or after 9 March 1999 and leases it back under a finance lease. This allows a ring fence deduction for the amount of the lease rental payments that would, under generally accepted accounting principles, be treated as a finance charge only if the sale proceeds are used to meet qualifying North Sea expenditure (i.e. expenditure of the same sort as would qualify under CTA10\S286).

Thus the “interest” element of a finance lease is subject to similar restrictions to those that apply to loan interest. Any amounts that would be deductible apart from CTA10\S288 are treated as if they were non-trade debits, and can be allowed against non Ring Fence profits accordingly.

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