HMRC - TTM17496 - Part X The Ring Fence - Capital Allowances - Ship Leasing - Para 90 Defeased Leasing

FA00/SCH22/PARA90

(1) The lessor under the lease is not entitled to capital allowances in respect of expenditure on the provision of the ship if-

(a) the lease, or

(b) any transaction or series of transaction of which the lease forms a part,

makes provision the effect of which is to remove the whole, or the greater part of, any non-compliance risk which, apart from that provision, would fall directly or indirectly on the lessor.

(2) For this purpose a “non-compliance risk” means a risk that a loss will be sustained by any person if payments under the lease are not made in accordance with its terms.

(3) For the purposes of this paragraph the lessor and any persons connected with him shall be treated as the same person.

(4) In this paragraph “connected person” has the meaning given by section 839 of the Taxes Act 1988.

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