

**HM REVENUE AND CUSTOMS      FINANCE (No.2) BILL 2006  
COMMITTEE  
SCHEDULE 10**

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Dawn Primarolo

(Bristol South – Lab)

**Amendment 215**

Schedule 10, page 19, line 25 [Vol. II], leave out sub-paragraph (2) and insert -

‘(2) No person is to be treated as receiving an amount of income, or as incurring an expense, as a result of any provision of this Schedule in so far as the income or expense arises by reference to the relevant plant or machinery subject to a lease which is disposed of.

(2A) If, as a result of sub-paragraph (2), no income is treated as received by a company, no accounting period of the company ends or begins as a result of any provision of this Schedule.

(2B) In relation to any disposal made before 2nd June 2006 -

(a) sub-paragraph (2) applies as if the words from “in so far as” to the end were omitted, and

(b) sub-paragraph (2A) applies as if the words from “If” to “a company,” and the words “of the company” were omitted.’.

**SUMMARY**

1. This amendment makes changes to paragraph 40 of Schedule 10 of the Bill to ensure that the Schedule operates as intended.

**DETAILS**

2. Paragraph 40 of Schedule 10 deals with a case where a lessor company both changes hands and sells a plant or machinery asset subject to a lease while retaining a right to part of the income stream from the lease. Where these two events happen on the same day the company would be subject to the effects of Schedule 10 and of new section 228K CAA 2001 (introduced by Clause 84(3)

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of the Bill) and suffer a double tax charge by reference to the asset sold. Paragraph 40 prevents this double charge by giving precedence to section 228K.

3. As set out in the Bill the paragraph has the effect of rendering Schedule 10 ineffective whenever this happens.
4. The amendment replaces sub-paragraph (2) with sub-paragraphs (2) (2A) and (2B).
5. Sub-paragraph (2) adjusts the income and expense amount computed in accordance with Schedule 10 by reference to the asset that is subject to the section 228K charge.
6. Sub-paragraph (2A) prevents Schedule 10 from having the effect of bringing the accounting period to a close if the adjustment under sub-paragraph (2) results in no income being computed in accordance with Schedule 10.
7. Sub-paragraph (2B) makes the change effective from 2 June 2006.
8. It therefore eliminates the possibility of a double charge by reference to the appropriate assets but leaves Schedule 10 to operate as intended in respect of any other plant or machinery assets that remain in the company.

### **BACKGROUND NOTE**

9. The legislation was first published in draft form on 5 December 2005 and will have effect as of that date. This change to the paragraph will have effect from 2 June 2006.