

1 Replacement of LIBOR with incremental borrowing rate

- (1) In section 70O of CAA 2001 (funding leases: the lease payments test) –
 - (a) in subsection (4)(b), for “1% above LIBOR” substitute “the incremental borrowing rate”;
 - (b) for subsection (5) substitute –
 - “(5) For this purpose, the incremental borrowing rate has the same meaning as it has for accounting purposes.
 - (6) The Treasury may by regulations amend this section for the purpose of replacing references to the incremental borrowing rate with references to another rate.”
- (2) In section 228MB of CAA 2001 (plant or machinery leases: present value of asset) –
 - (a) in subsection (3), for “1% above LIBOR” substitute “the incremental borrowing rate”;
 - (b) for subsection (4) substitute –
 - “(4) For this purpose, the incremental borrowing rate has the same meaning as it has for accounting purposes.
 - (5) The Treasury may by regulations amend this section for the purpose of replacing references to the incremental borrowing rate with references to another rate.”
- (3) In section 437C of CTA 2010 (plant or machinery lease: present value of lease) –
 - (a) in subsection (6), for “1% above LIBOR” substitute “the incremental borrowing rate”;
 - (b) for subsection (7) substitute –
 - “(7) For this purpose, the incremental borrowing rate has the same meaning as it has for accounting purposes.
 - (7A) The Treasury may by regulations amend this section for the purpose of replacing references to the incremental borrowing rate with references to another rate.”
- (4) Subsection (1) has effect in relation to leases the inception of which (within the meaning of section 70YI of CAA 2001) is on or after 1 January 2022.
- (5) Subsection (2) has effect in relation to leases entered into on or after 1 January 2022.
- (6) Subsection (3) has effect in cases where the relevant time for the purposes of section 437C of CTA 2010 is on or after 1 January 2022.

2 Tax consequences of reform etc of LIBOR and other reference rates

- (1) The Treasury may by regulations make provision about the tax consequences of things done in anticipation of or in connection with—
 - (a) the reform or discontinuance of LIBOR, or
 - (b) the reform or discontinuance of another reference rate.
- (2) Regulations under this section may, for example, make provision—
 - (a) changing the tax treatment of transactions (including by disregarding a transaction or treating a transaction as taking place at a different time or to a different extent);
 - (b) changing the tax treatment of amounts (including by disregarding an amount or treating an amount as larger or smaller than it actually is).
- (3) Regulations under this section may include retrospective provision.
- (4) Where regulations under this section do so—
 - (a) they must include provision conferring power on a person to make an election for no provision of the regulations to have retrospective effect in the person's case;
 - (b) they may include provision conferring power on a person to make such other election limiting the retrospective effect of the regulations in the person's case as is specified in the regulations.
- (5) Regulations that include provision for an election mentioned in subsection (4)—
 - (a) must include provision about how the election is to be made, and
 - (b) may include provision for a time limit within which the election is to be made.
- (6) Regulations under this section may—
 - (a) apply an enactment (with or without modifications) or disapply an enactment, or
 - (b) amend, repeal or revoke an enactment.
- (7) Regulations under this section may—
 - (a) make different provision for different cases or purposes, and
 - (b) include incidental, consequential, supplementary or transitional provision.
- (8) Regulations under this section are to be made by statutory instrument.
- (9) No regulations may be made under this section unless a draft of the statutory instrument containing them has been laid before and approved by a resolution of the House of Commons.
- (10) In this section—
 - “enactment” includes an enactment contained in subordinate legislation (within the meaning of the Interpretation Act 1978);
 - “reference rate” means a published rate used to set interest rates for financial instruments;
 - “tax” includes stamp duty.
- (11) The power conferred by this section is not exercisable after 31 December 2022, except for the purpose of revoking regulations made under it on or before that date.