HM Revenue & Customs

Operational and Financial Leasing

The Intrastat treatment of different types of leasing has caused some confusion in the past. This Information Sheet is intended to clarify the Intrastat treatment of leased goods.

Operational leasing

Operational leases do not transfer ownership (that is, all the risks and rewards incident to legal ownership) to the lessee.

Under an operational lease, the lessee acquires the right to use a durable good for a certain period of time, which may be long or short and not necessarily settled in advance. When the leasing period expires, the lessor expects to receive his good back in more or less the same condition as when he hired it out, apart from normal wear and tear. Payments for the operational leasing of goods relate to the cost of using the tangible goods made available through an operational leasing contract.

Financial Leasing

Financial leases are generally paid in instalments and are calculated in such a way as to cover all or virtually all of the value of the goods. At the end of the contract the lessee will become the legal owner of the goods.

Intrastat Treatment

Goods on hire or operational lease are excluded from Intrastat when the contract covers (or is intended to cover) a period of **less** than two years.

Goods on hire and operational leasing arrangements must be reported for Intrastat when the contract covers or is intended to cover a period **longer** than 2 years. Nature of Transaction Code (NoTC) 90 must be used to report these transactions.

Goods on hire or operational leasing which were not reported for Intrastat because their intended stay was less than two years, must be reported if the goods are not returned after the two-year period. The reference date should be the month in which the two-year period expires. Again, NoTC 90 must be used.

The value used for goods not returned within the two year period (when this was the original intention), should be the estimated value at the time the goods were reported for Intrastat. This will normally allow for depreciation due to use, or any other factor which has affected the value.

Goods involved in financial leasing must be reported under normal Intrastat rules using NoTC 10.

Note: Financial leasing may involve three parties:

- the supplier of the goods (Supplier)
- the recipient of the goods (Lessee)
- the payer of the cost of the goods (Lessor).

Direct leasing exists when the supplier and the lessor are identical (the supplier leases the goods to the customer). Indirect leasing exists when a leasing company (lessor) buys the goods from the producer or supplier and subsequently leases the goods to the lessee. The goods are delivered from the supplier to the lessee. Intrastat declarations must record the trade flow between supplier and lessee.

For example:

A UK company contracts to purchase goods from a company in an EU Member State. The purchase is financed by a UK bank, but the goods are delivered direct to the UK company. Although the bank owns the goods until the UK company has discharged the debt, the UK company is responsible for the Intrastat arrivals declaration.

If you have any questions about this Information Sheet, please email them to: uktradeinfo@hmrc.gov.uk entering ‘Information Sheet, Operational and Financial Leasing’ in the subject field.

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