International taxation of cross-border leasing income
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APPENDIX 1

US CASE LAW ON LEASE V. CONDITIONAL SALE

(a) *Benton v. Commissioner of Internal Revenue*\(^{533}\)

This case involved a lease, entered into in 1945, in respect of certain motor vehicles and related equipment in connection with a taxicab business. The lease term was for a period of ten months, during which the lessee agreed to pay to the lessor USD 5,000 per month. At the end of the ten-month lease term, the lessee had the option to purchase the leased assets for a sum of USD 10,000. The lessee claimed lease rental payments as tax-deductible business expense. However, the Internal Revenue Commissioner determined that the lease rental payment by the lessee to the lessor constituted capital investment and was not deductible as rent. Upon the first appeal, the Tax Court held that the lease rental payments by the lessee to the lessor were towards acquisition of equity in the “leased” property, and hence, not deductible as rental expense.

Reversing the decision of the Tax Court, the Court of Appeals held that whether the transaction was a lease or a conditional sale contract depended upon the intention of the parties. Though the relation between the value of the property and the option price was one of the factors relevant for determining the intention of the parties, the same must be viewed in the light of the facts and circumstances as they existed at the time the parties entered into the contract, rather than at the time of exercise of the purchase option. The Court observed that a monthly lease rental of USD 5,000 was reasonable when considered strictly as rental, and the purchase option price of USD 35,000, at the time when the lease agreement was signed, was not an unreasonably low sale price in view of the fact that the subject assets were prone to drastic changes in value due to a number of reasons. Accordingly, the Court opined that the conduct of the parties throughout the ten-month lease term was consistent as a lease, and the lease rental payments did not constitute a capital investment.

(b) *Walburga Oesterreich v. Commissioner of Internal Revenue*\(^{534}\)

This case involved lease of land by the taxpayer (lessor) for a term of 67 years. Under the lease agreement, the lessee agreed to pay to the lessor a

\(^{533}\) 197 F.2d 745 (US Court of Appeals Fifth Circuit).
\(^{534}\) 226 F.2d 798 (US Court of Appeals Ninth Circuit).
total rent of USD 679,380 over the lease term of 67 years. The lessee also agreed to pay all taxes and similar charges on the leased land, and to protect the lessor from claims arising out of the use of the property. The lessor agreed in the lease contract that, at the end of the lease term, for a payment of a mere USD 10, the lessor would convey the leased land to the lessee without any further or other consideration. Accordingly, it was intended by the parties at the inception of the lease that, at the end of the lease term, the title in the leased property would pass to the lessee.

The issue before the Court was whether the lessor was entitled to treat the rental receipts as long-term capital gains rather than rental income. This, in turn, depended upon the fact as to whether the lessor had sold the land to the lessee, or whether it was a true lease.

The Court held that the payment by the lessee to the lessor was for acquiring title in the land, in view of the fact that the title in the property valuing USD 100,000 at the inception of the lease (in 1929) was to be transferred to the lessee at the end of the lease term (in 1997) for a mere USD 10. While reaching this conclusion, the Court distinguished the Benton case, as in the Benton case the option price constituted full consideration for the eventual acquisition of the leased property, and at the inception of the lease, it was questionable whether or not the option would be exercised by the lessee. However, in the present case, there was no doubt whatsoever that the lessee would exercise the option for a mere token amount of USD 10. Accordingly, the Court concluded that the transaction was for acquisition, rather than lease, of the property.

(c) Estate of Delano T. Starr v. Commissioner of Internal Revenue

This case involved installation of a fire sprinkler system (“the system”) at the taxpayer’s plant under a lease contract signed. The lease was for a primary term of five years, for annual lease rental of USD 1,240. The lessee had the option to renew the lease for an additional five-year period, for annual lease rental of USD 32. In case the lessee did not exercise this option, the lessor was entitled to remove the system from the premises of the lessee, although the salvage value for the lessor would be negligible since the system was tailor-made for the specific property of the lessee. The lease contract was silent about the rights and obligations of the lessor and the lessee from year 11 onwards. The lessee did not have the option to purchase the

535. 274 F.2d 294 (US Court of Appeals Ninth Circuit).
system, and at no point of time the lease contract transferred the title in the said system to the lessee.

The Commissioner of Internal Revenue determined that the lease rental payments during the primary lease term (first five years) constituted capital expenditure, and were not deductible as rental expense. In the first appeal, the Tax Court sustained the said determination.

The Court of Appeal took the view that though the lease agreement did not provide for the eventual transfer of the title in the system from the lessor to the lessee, and although the lessor was entitled to remove the system in the event of non-renewal of the lease contract by the lessee, in practice, the lessor would not have removed the system from the premises of the lessee in view of the fact that such removal would have a negligible salvage value due to the tailor-made nature of the system. The Court opined that the Commissioner was entitled to take into consideration the practical, rather than the legal, effect of the contract. Accordingly, disregarding the form and following the substance of the transaction, the Court of Appeals held that the transaction (though in the form of a lease) was in the nature of sale; and the aggregate lease rental payments over the primary lease term represented payment of sale price for the system plus the interest element.

(d) *Western Contracting Corporation v. Commissioner of Internal Revenue*\(^{536}\)

The relevant facts in this case were as follows:

The taxpayer (lessee) had obtained on lease 93 items of heavy equipment, for varying terms ranging from 7 to 28 months, under several lease agreements. Except for three items, all the items of equipment were new. None of the lease agreements granted a purchase option to the lessee at any time during or at the end of the lease terms. Also, there was no evidence of any side agreement (whether written or oral) between the lessor and the lessee, granting any purchase option to the lessee. However, at the end of the designated “minimum period” under each of the leases, the lessee purchased the equipment, thus eventually ending up as owner of each of the 93 items of equipment. In each case, the sale price was calculated as the list price of the equipment plus the finance charges (such as bank interest) minus the total rental payments made by the lessee.

\(^{536}\) 271 F.2d 694 (US Court of Appeals Eighth Circuit).
The Commissioner of Internal Revenue and the Tax Court took the view that the lease agreement, as written, did not represent the real intent of the parties.

Decision by the Court of Appeals:

The Court of Appeals, while accepting “substance over form” as the approach for characterization of the transaction, did not concur with the view taken by the Commissioner and the Tax Court that the parties intended sale of equipment (rather than lease) at the time the leases were entered into. The Court held that the fact that the lessee eventually acquired all 93 items of equipment did not necessarily mean that the lessee had the legal right to acquire the said equipment prior to its actual acquisition. Accordingly, reversing the decision of the Tax Court, the Court held the rental payments made by the lessee to the lessors during the primary lease terms as payments for lease, rather than acquisition, of the equipment.

(e) Mt. Mansfield Television Inc. v. United States of America\textsuperscript{537}

The taxpayer (the lessee) was in the business of operating a television station. The taxpayer entered into a lease contract in respect of certain microwave equipment, for a primary period of five years (primary lease term) with the option to renew for ten annual renewal periods (secondary lease term), thus in aggregate for 15 years. The lease agreement provided that the lease rentals would equal the price of the equipment plus interest at the rate of approximately 4%. During the primary lease term, the lessee was required to pay monthly lease rental of USD 748.41, whereas during the secondary lease term the lessee was required to pay only USD 747.29 per annum.

The lease agreement provided that the leased equipment would at all times remain the sole and exclusive property of the lessor, and the lessee would not have any right, title or interest in the equipment except as expressly set out in the lease agreement. Upon the expiry or premature termination of the lease, the lessee was obliged to return the equipment to the lessor in good repair, condition and working order, subject to ordinary wear and tear. The lessee was to bear the costs of repairs, insurance, taxes and assume the entire risk of loss and damage from whatever cause.

In its income tax return, the lessee claimed deductions in respect of lease rental payments. However, the tax authorities disallowed the said deduc-

\textsuperscript{537} 239 F. Supp. 539 (US district court for the district of Vermont).
tion, and took the view that although the transaction was termed as lease, the parties, while entering into the transaction, had intended that the transaction should constitute a conditional sale. Accordingly, the tax authorities took the view that the payment by the lessee to the lessor constituted payment of purchase price rather than rentals. The tax authorities allowed depreciation on the purchase price of the equipment, and allowed deduction for the interest element in the payments by the lessee to the lessor.

Upon appeal, the Court held that the incidence of taxation depends upon the substance, rather than form, of the transaction, and in its view the parties to the transaction had intended that the transaction should constitute a conditional sale, although it was termed as a lease. The court reached this conclusion on the basis that the lessee assumed the entire risk of loss and damage to the equipment, agreed to pay all insurance costs and taxes, the fact that the lease agreement provided that the total rental would equal the price of the equipment plus interest and the inference reached by the Court that the useful economic life of the equipment was approximately five years (equal to the primary lease term).

(f) Lockhart Leasing Company v. United States of America

In this case, the taxpayer (lessor) purchased machine tools, store equipment, office equipment, etc. from a variety of sources in accordance with requests by its customers (lessees). Upon purchase, the lessor placed the said assets in the lessees’ possession and use under an equipment lease agreement. The lease agreements specified, inter alia, the period of lease term, the amount of rental, the option for renewal of the lease if so negotiated, and occasionally the purchase option in favour of the lessee. The lease agreements provided that the arrangement was for lease and the title in the leased assets did not pass to the lessees. The lessees assumed all the risks of loss of the property, paid costs for all repairs, maintenance and insurance, and paid any taxes on the equipment. While negotiating the contracts, the lessor and the lessees took account of the value of the leased assets at the end of the lease term, and the total amount of lease rentals payable by the lessees were not disproportionate to the value of the equipment. Where the lease agreements contained a purchase option for the lessees, the option price was based on the expected value of the leased asset (value of the leased asset on the exercise date, as expected at the time of entering into the agreement). Where the lease contracts did not contain a purchase option for

538. On the basis of the loss value stipulated in the lease agreement.
539. 446 F. 2d 269 (US Court of Appeals Tenth Circuit).
the lessees, the purchase price was negotiated if and when the lessee purchased the leased asset from the lessor.

The issue under dispute was whether the lessor could be regarded as having a depreciable interest in the leased assets for the purposes of special tax credit incentive under Sec. 38 of the IRC. This incentive was not available if the leased assets were sold or merely financed by the lessor to the lessee.

The Court of Appeals confirmed the view of the Tax Court that the rental payments and the negotiated option prices had a reasonable relationship to the value of the assets during the lease terms, the lessor did not shift the ownership in the asset to the lessees during the lease terms, and the transaction did not amount to financing the acquisition of assets by the lessees. The court opined that the mere presence of a purchase option was not in itself a determinative factor and rentals at standard rates did not represent recovery of the purchase price of the leased asset plus interest. Accordingly, the Court regarded the form as well as the substance of the transaction to be in the nature of lease, rather than conditional sale, of the asset by the lessor to the lessees.

(g) *The LTV Corporation v. Commissioner of Internal Revenue* 540

In this case, the taxpayer (lessee) entered into a lease agreement in respect of a computer manufactured by International Business Machines (IBM), for a primary lease term of 60 months with a renewal option for the lessee for an indefinite period. Prior to entering into the lease agreement with the lessor, the lessee had ascertained the cost of leasing the computer from IBM, and found that it was cheaper to lease the computer from the lessor instead of from IBM. Over the primary lease term, in aggregate, the lessee agreed to pay a lease rental of USD 3,348,550.50. 541 If the lessee chose to exercise the renewal option, the agreed lease rentals during the renewal period was only USD 116,471.32 per annum. The lease agreement also granted a purchase option to the lessee, exercisable at the expiry of the primary lease term, at the purchase price of USD 291,178.30, i.e. 10% of the original cost of the computer. The option price was the price, quoted by IBM to the lessor, as the amount for which IBM would sell the computer at the time when the purchase option was exercisable.

540. 63 T.C. 39 (US Tax Court).
541. USD 1,071,536.16 in year 1, USD 1,071,536.16 in year 2, USD 669,710.1 in year 3, USD 267,884.04 in year 4 and USD 267,884.04 in year 5.
The lease agreement provided that, in addition to the lease rentals, the lessee was to pay all licence fees, insurances costs, taxes imposed upon the computer and maintain the computer in good operating order. Also, the lessee assumed all risks of loss, theft, destruction and damage to the computer. For the lease term, the lessor assigned to the lessee any applicable factory warranty, and authorized the lessee to obtain the customary services provided by the manufacturer at the lessee’s expense.

In its income tax return, the lessee claimed deduction in respect of the lease rental payments. The tax authorities disallowed the deduction, holding that in substance the transaction was for conditional purchase, rather than lease, of the computer. Before the Tax Court, the tax authorities argued that the transaction should be regarded as conditional sale rather than lease, since (i) the burdens of ownership were shifted from the lessor to the lessee; (ii) the lease agreement provided for a purchase option in favour of the lessee; (iii) the aggregate rental payments approximated the cost of the computer under a deferred payment plan; and (iv) the rental value of the computer materially exceeded the fair rental value.

The Tax Court, rejecting the arguments of the tax authorities, opined that (i) the lessor did bear a risk of ownership until the fourth year of the primary lease term since the lessor would have recovered the cost of the computer (ignoring the interest costs) only in year 4 and since IBM had not undertaken to buy back the computer from the lessor in case of a default by the lessee; (ii) existence of a purchase option per se did not convert a lease contract into a contract for conditional sale, since the option price was set at the computer’s fair market value at the end of the primary lease term; (iii) the tax authorities’ third argument was not substantiated by facts, as the interest factor was ignored by the tax authorities; and (iv) the actual rental payments by the lessee were comparable with the fair rental value of the computer in view of the fact that the lessee did compare the cost of leasing the computer from IBM itself, the lessee found it cheaper to lease the computer from the lessor, and the higher (front-ended) rental payments during the early years of the primary lease term were understandable in view of the rapid developments in the computer technology and the risk that obsolescence could be virtually an overnight phenomenon.

542. I.e. the aggregate rental payments approximated the cost of the computer under a deferred payment plan.
Accordingly, upon careful consideration of the economic substance of the transaction, the Tax Court held that the lessee had entered into a lease (and not conditional sale) transaction with the lessor.

(h) *Sun Oil Company v. Commissioner of Internal Revenue*[^543]

This case concerned the sale of 320 parcels of unimproved service station sites to a tax-exempt trust and simultaneous leaseback to the seller. The issue under dispute was: was the transaction a true sale, or was it a mere financing arrangement? If the transaction did not constitute a true sale, then lease rentals paid by the seller-lessee under the leaseback arrangement could not qualify as deductible business expenses.

The relevant facts in the case were as follows. The taxpayer entered into an agreement with a tax-exempt trust (hereafter referred as “the Trust”) for sale of a large number of service stations owned by the taxpayer. Simultaneous with the sale, the taxpayer also entered into a leaseback agreement with the Trust, for a primary lease term of 25 years with quarterly rentals adequate to enable the Trust to amortize its investment in full over the primary lease term with a yield at 4.625%. The lease agreement conferred a renewal option to the taxpayer, whereby the taxpayer could renew the lease for two five-year terms at an annual rental equivalent to 2.5% of the “purchase price”[^544] of the land, and further 11 five-year terms at an annual rent equivalent to 1.5% of the purchase price.[^545] The taxpayer was obliged to bear taxes and pay the lease rentals to the Trust net of any taxes. The taxpayer also had the purchase option exercisable on specified dates, and the purchase price was to be the fair market value to the lessor (Trust), to be appraised by three appraisers, the decision of any two appraisers being conclusive. Further, the taxpayer had the option to terminate the lease in respect of any property (service station) that might prove uneconomical to operate as a service station. The way the taxpayer could exercise this option was by making a rejectable offer to purchase any leased service station during the primary lease term; the offer price would equal the sum of the

[^543]: 562 F.2d 258 (US Court of Appeals for the third circuit).
[^544]: Paid by the Trust to the taxpayer.
[^545]: A few months subsequent to the said agreement, the taxpayer and the Trust entered into another agreement involving sale and leaseback of more service stations, at comparable terms but for different figures of sale consideration and another interest rate. Since both the agreements involved comparable terms and conditions in principle (except for figures), the second agreement is ignored for the purposes of the present analysis.
present values of all quarterly unpaid⁵⁴⁶ lease rentals plus an amount that would give the Trust a return of 5% per annum over the term of the investment. The Trust had 30 days to reject such offer, and non-rejection by the Trust within 30 days was deemed an acceptance of the offer. In case the Trust rejected the offer, the taxpayer was relieved from the lease obligation in respect of the property that was the subject matter of the offer. The lease agreement also provided that in the event a portion of the leased premises was taken by condemnation or eminent domain but the taxpayer elected to occupy the balance of the premises, then there was no abatement of rent and the entire award for the taking belonged to the taxpayer. Also, the taxpayer was irrevocably empowered to negotiate the terms and price for any taking and to sell and convey the properties without the prior approval of the Trust.

The Commissioner of Internal Revenue took the view that the taxpayer retained all of the benefits and burdens of ownership of the service stations and the transaction, in substance, was merely an elaborate financing arrangement in which the Trust stood in the position of a secured lender.

In the first appeal, the Tax Court rejected the Commissioner’s view. However, in the second appeal, the Court of Appeals reversed the decision of the Tax Court in view of the fact that in addition to assuming the risks and burdens incidental to the ownership of the property, the taxpayer controlled certain important benefits that traditionally are reserved for the owner, in the event the leased premises were condemned or seized by eminent domain. The Court found the retention of such broad powers⁵⁴⁷ by the taxpayer to be inconsistent with the traditional role of a lessee. The Court also observed that if the taxpayer made a rejectable offer to acquire any leased property, the Trust had only 30 days to reject the offer, which left the Trust with a virtually impossible task of securing independent appraisals, competent advice and reaching a considered decision within a short time on multiple pieces of diverse property geographically dispersed over many states. Rejection of the offer would force the Trust to assume the burden of managing the small real estate parcels and properties scattered over 17 states, although the Trust did not have employees with the requisite background and experience in real estate management. Accordingly, assumption of such disproportionate burden was viewed inconsistent with the investment

⁵⁴⁶ I.e. lease rentals that would become due between the offer date and the end of the primary lease term.
⁵⁴⁷ Especially the power to negotiate for the price of the property and the absence of rent abatement in the event of a partial taking and the continued occupancy of the balance property.
goals of the Trust, which had a net worth of USD 2.5 billion. The Court opined that the powers vested in the taxpayer, especially in the event of condemnation or seizure of property pursuant to the power of eminent domain, including the right to negotiate the sale or settlement price, and the right to make rejectable offers, reflected significant characteristics attributable to the ownership of property rather than a leasehold interest. The Court also observed that the rentals were apparently geared to return the Trust’s investment plus interest within the 25-year primary lease term, rather than based on the fair rental value of the leased property. Also, the Court viewed that the option to repurchase the leased property gave the taxpayer a built-in latch string by which it could spring the legal title to the properties back to itself, without obliging the taxpayer to pay the true fair market value. Considering the overall effect of the agreement, the Court held that the sale-leaseback transaction was a financing arrangement.

(i) *The Kansas City Southern Railway Co. v. Commissioner of Internal Revenue*\(^ {549}\)

In this case, the taxpayer was a railway company. The group to which the taxpayer belonged, formed a separate company, with 75% ownership held by the group\(^ {550}\) for the purpose of leasing certain types of equipment to the taxpayer. Under the said leasing arrangements, the investment credit benefits in respect of the leased equipment were to be passed on to the taxpayer, but the legal ownership in the leased equipment was to be retained by the leasing company. Under the lease agreements, no purchase options were granted to the taxpayer, and the leasing company was to retain the residual value of the equipment subsequent to termination of the leases. Typically, the lease terms consisted of either a three-year primary term and five one-year renewable terms (secondary period), or a five-year primary term and three one-year renewable terms (secondary period). The leases were structured in a manner such that the lessor would recover 100% of the cost of the equipment plus a 3% after-tax return on its gross rental income over the primary term of the lease. Accordingly, the annual rental factors for leases with primary terms of three and five years were approximately 37% and

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548. Though the agreement between the parties provided for appointment of appraisers for determining the fair market value (of the leased property) to the lessor, the Court observed that the existence of the lease encumbered the properties and adversely affected the fair market value of the properties to the lessor Trust during the primary lease term, in reality seriously reducing the fair market value to the lessor to the present value of future rental payments for a certain period at a specified rate.

549. 76 T.C. 1067 (US Tax Court).

550. So that the company would not amount to a member of the group.
Appendix 1 - US case law on lease v. conditional sale

24% respectively during the primary term. The annual rental factors during the secondary terms ranged from 0.5% to 1% of the cost of the leased equipment. The leasing company maintained its own records for the purpose of locating the leased equipment. During the terms of the leases, the taxpayer did not sell, scrap or in any other manner dispose of the leased equipment. In case of destruction of a leased item, the taxpayer passed on the proceeds, from the sale of scrap, to the leasing company. The leasing company's net gains from disposal of the returned equipment ranged from 2.53% to 9.74% of the gross revenues of the leasing company.

The issue under dispute was whether the lease rentals paid by the taxpayer to the leasing company were deductible. The Commissioner of Internal Revenue took the view that the lease agreements were, in substance, deferred payment arrangements under which the taxpayer was acquiring equity in the leased equipment. In other words, the Commissioner took the view that the transaction was for purchase, rather than lease, of the equipment, and the rental payment in excess of rateable depreciation was disallowable.

For determining the issue, the Court took the approach that the substance, rather than the nomenclature adopted by the parties to the transaction, was controlling; and the focus was on the practical rather than the technical effect of the transaction.

Based on the facts and circumstances, the Court found it difficult to conclude that the leasing company and the taxpayer intended that the taxpayer should acquire equity in the leased equipment. The factors that led the Court to form this opinion included: absence of a purchase option in favour of the taxpayer, the fact that the taxpayer was obliged (and indeed met the obligation) to return the leased equipment after the primary term or the renewal terms, the fact that the lessees were precluded from disposing of the equipment, realization of significant income by the leasing company from scrapping of the returned equipment, and the elaborate procedures followed by the lessor for locating/identifying the leased equipment.

Accordingly, rejecting the view taken by the Commissioner, the Tax Court held that the transaction was for lease rather than purchase of the equipment.

551. As per the relevant provision in the tax legislation, rental payments were deductible if the payments were for the "continued use or possession" of property to which the "taxpayer had not taken or was not taking title or in which he had no equity".
Appendix 1 – US case law on lease v. conditional sale

(j) Transamerica Corporation v. The United States

This case involved a lease arrangement, whereby the lessor agreed to lease one particular aircraft to the lessee for a period of eight months, and another aircraft for a period of five months. Simultaneously, under another agreement, the lessor agreed to sell the aircraft to the lessee, for a specified consideration, after expiry of the lease terms of the aircraft. By way of a third agreement executed on the same day, the parties agreed to re-examine the lease rent and the sale price (but not the total “package price”) under the first two agreements in view of the possible accounting problems. A few months later, the lessor realized that as a consequence of not owning the aircraft for the eight-year period, the lessor would be subject to recapture of substantial amount of investment tax credit. Upon renegotiation, the parties entered into a new lease agreement for lease of the two aircraft for the periods of 44 months and 39 months instead of eight months and five months respectively under the original lease agreement. On the same date, the lessor also granted the purchase option (with specified purchase price) to the lessee in respect of the said two aircraft. The lessee undertook to bear the cost of maintaining a hull insurance, to pay all taxes, levies and assessments on the aircraft, and to maintain the aircraft in good state of repair. The lessee was granted a right to sublease the aircraft, subject to approval of the lessor which would not be unreasonably withheld.

In its federal tax return, the lessor claimed tax depreciation on the leased aircraft. However, the Commissioner of Internal Revenue recharacterized the transaction as conditional sale of the aircraft, and accordingly disallowed the depreciation and recaptured investment tax credit.

Adopting the substance-over-form approach, the Court held that the transaction was for conditional sale, and not lease, of the two aircraft. Based on the facts, the Court viewed the monthly payments by the lessee to the lessor as instalment payments in respect of the purchase price of the aircraft, rather than lease rentals. In reaching this conclusion, the Court took into ac-

552. 7 Cl. Ct. 441 (US Claims Court).

553. The court noted, based on testimony by a witness who was the chairman of the board and president of the lessee company, that at the time the lease contract was executed, the lessee expected that, barring unforeseen circumstances, it would exercise its options to purchase the aircraft. Such unforeseen circumstances were: (1) if the lessee’s business deteriorated so badly that the lessee could not operate the aircraft profitably; (2) it could not sublease the aircraft; and (3) the values of the aircraft fell drastically, so that the lessee could not sell them to a third party at prices exceeding the option prices. The witness also testified that the lessee would not have agreed to the lease contract if he had thought any of the said possibilities was likely.
count, *inter alia*, the fact that there was a remote likelihood of the lessee not exercising the purchase option. The Court found that the purchase option prices of the two aircraft were significantly below the contemplated fair market value at the time when the purchase options were exercisable.\textsuperscript{554}

\textsuperscript{554} The court cited additional reasons for holding the transaction as conditional sale. However, in view of the analysis of other court decisions, on the issue of "lease v. conditional sale", covered in this chapter, a discussion on the said additional reasons does not appear necessary.