



Finance Act 2006

2006 CHAPTER 25

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

VALID FROM 19/07/2006

CHAPTER 5

PERSONAL TAXATION

Cars

59 Cars with a CO₂ emissions figure

- (1) Section 139 of ITEPA 2003 (car with a CO₂ emissions figure: the appropriate percentage) is amended as follows.
- (2) In subsection (1) (appropriate percentage dependent on whether emissions figure exceeds lower threshold) for the words from “whether” to the end of the subsection substitute “whether—
 - (a) the car is a qualifying low emissions car for that year, or
 - (b) the car's CO₂ emissions figure exceeds the lower threshold for that year.”
- (3) After subsection (1) insert—

“(1A) A car is a qualifying low emissions car for any year if—
 - (a) it has a low CO₂ emissions figure for that year, and
 - (b) it is not an electrically propelled vehicle, within the meaning of section 140.

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(1B) If the car is a qualifying low emissions car for the year, the appropriate percentage is 10%.”.

(4) For subsection (2) (emissions figure does not exceed lower threshold) substitute—

“(2) If—

- (a) the car is not a qualifying low emissions car for the year, but
- (b) its CO₂ emissions figure does not exceed the lower threshold for the year,

the appropriate percentage for the year is 15% (“the basic percentage”).”.

(5) After subsection (3) insert—

“(3A) A car has a low CO₂ emissions figure for a year if its CO₂ emissions figure does not exceed the limit for that year in the following Table—

TABLE

<i>Tax year</i>	<i>Limit (in g/km)</i>
2008-09 and subsequent tax years	120”.

(6) In the Table in subsection (4) (the lower threshold)—

- (a) in the entry relating to 2005-06 and subsequent tax years, for “and subsequent tax years” substitute “, 2006-07 or 2007-08 ”, and
- (b) after that entry insert—

“2008-09 and subsequent tax years	135”.
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(7) After subsection (5) (rounding down of emissions figures to nearest multiple of 5) insert—

“(5A) Subsection (5) does not apply for the purpose of determining whether a car has a low CO₂ emissions figure for a year.”.

(8) In section 170 of ITEPA 2003 (orders etc relating to the Chapter) before subsection (3) (order varying lower threshold) insert—

“(2A) The Treasury may by order provide for a limit different from that specified in the Table in section 139(3A) (car with a low CO₂ emissions figure) to apply for tax years beginning on or after 6th April 2009 or such later date as may be specified in the order.”.

(9) If a qualifying low emissions car is a car which, within the meaning of regulations under section 170(4) of ITEPA 2003,—

- (a) is capable of being propelled by petrol and road fuel gas,
- (b) is capable of being propelled by electricity and petrol, or
- (c) is propelled solely by road fuel gas,

no reduction in the appropriate percentage is to be made by virtue of any such regulations made before 22nd March 2006.

(10) Subsections (2) to (5) and (7) to (9) have effect for the tax year 2008-09 and subsequent tax years.

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Mobile telephones and computers

60 Mobile telephones

- (1) In section 266(2) of ITEPA 2003 (exemption of non-cash vouchers for exempt benefits), insert at the end “or
(d) section 319 (mobile telephones).”
- (2) In section 267(2) of that Act (exemption of credit-tokens used for exempt benefits), after paragraph (f) insert—
“(g) section 319 (mobile telephones).”
- (3) For section 319 of that Act (employment income: exemption for mobile telephones) substitute—

“319 Mobile telephones

- (1) No liability to income tax arises by virtue of section 62 (general definition of earnings) or Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of the provision of one mobile telephone for an employee without any transfer of property in it.
- (2) In this section “mobile telephone” means telephone apparatus which—
 - (a) is not physically connected to a land-line, and
 - (b) is not used only as a wireless extension to a telephone which is physically connected to a land-line,or any thing which may be used in such apparatus for the purpose of gaining access to, or using, a public electronic communications service.
- (3) In this section the reference to the provision of a mobile telephone includes a reference to the provision, together with the mobile telephone provided, of access to, or the use of, a public electronic communications service by means of one mobile telephone number.
- (4) For the purposes of subsection (2) “telephone apparatus” means wireless telegraphy apparatus designed or adapted for the primary purpose of transmitting and receiving spoken messages and used in connection with a public electronic communications service.”
- (4) This section has effect for the year 2006-07 and subsequent years of assessment.
- (5) But the amendment made by subsection (3) does not cause any liability to income tax to arise in respect of the provision of a mobile telephone for an employee, or a member of an employee's family or household, if the mobile telephone was first provided to him before 6th April 2006.

61 Computer equipment

- (1) Omit section 320 of ITEPA 2003 (employment income: limited exemption for computer equipment).
- (2) This section has effect for the year 2006-07 and subsequent years of assessment.

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- (3) But it does not cause any liability to income tax to arise in respect of the provision of computer equipment by making it available to an employee, or a member of an employee's family or household, if the computer equipment was first made available to him before 6th April 2006.

Eye care

62 Exemption for employees' eye tests and special glasses

- (1) Part 4 of ITEPA 2003 (employment income: exemptions) is amended as follows.
- (2) In Chapter 11 (miscellaneous exemptions), before section 321 (and the cross-heading “*Awards and gifts*”) insert—

“Eye tests and special corrective appliances

320A Eye tests and special corrective appliances

- (1) No liability to income tax arises in respect of the provision for an employee of—
- (a) an eye and eyesight test, or
 - (b) special corrective appliances that an eye and eyesight test shows are necessary,
- if conditions A and B are met.
- (2) Condition A is that the provision of the test or appliances is required by regulations made under the Health and Safety at Work etc. Act 1974.
- (3) Condition B is that tests and appliances of the kind mentioned in subsection (1) are made available generally to those employees of the employer in question for whom they are required to be provided by the regulations.”
- (3) In section 266 (exemption of non-cash vouchers for exempt benefits), at the end of subsection (3) insert “, or
- (f) section 320A (eye tests and special corrective appliances).”
- (4) In section 267 (exemption of credit-tokens used for exempt benefits), at the end of subsection (2) insert “, and
- (h) section 320A (eye tests and special corrective appliances).”
- (5) This section has effect for the year 2006-07 and subsequent years of assessment.

Vouchers and tokens

63 Power to exempt use of vouchers or tokens to obtain exempt benefits

In Chapter 4 of Part 3 of ITEPA 2003 (taxable benefits: vouchers and credit-tokens), after section 96 insert—

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“96A Power to exempt use of non-cash vouchers or credit-tokens to obtain exempt benefits

- (1) The Treasury may by regulations provide for exemption from any liability that would otherwise arise by virtue of this Chapter in respect of—
 - (a) non-cash vouchers which are or can be used to obtain specified exempt benefits, or which evidence an employee's entitlement to specified exempt benefits;
 - (b) credit-tokens which are used to obtain specified exempt benefits.
- (2) In this section—

“exempt benefit” means a benefit the direct provision of which is exempted from liability to income tax by a provision of Part 4 (employment income: exemptions), and

“specified” means specified in the regulations.
- (3) Regulations under this section may operate by amending section 266 (exemption of non-cash vouchers for exempt benefits) or section 267 (exemption of credit-tokens used for exempt benefits).”

Holocaust victims

64 Payments to or in respect of victims of National-Socialist persecution

- (1) In section 369 of ITTOIA 2005 (charge to tax on interest), in subsection (3) (non-exhaustive list of exemptions), in paragraph (e) (exemptions under sections 749 to 756)—
 - (a) for “756” substitute “ 756A ”, and
 - (b) for “and interest on certain foreign currency securities)” substitute “, certain foreign currency securities and interest on certain deposits of victims of National-Socialist persecution) ”.
- (2) After section 756 of ITTOIA 2005 (which securities and loans are foreign currency ones for section 755) insert—

“756A Interest on certain deposits of victims of National-Socialist persecution

- (1) No liability to income tax arises in respect of interest which is paid—
 - (a) to or in respect of a victim of National-Socialist persecution,
 - (b) under a qualifying compensation scheme, and
 - (c) for a qualifying purpose in respect of a qualifying deposit of the victim.
- (2) A scheme is a qualifying compensation scheme if—
 - (a) it is constituted (whether under the law of any part of the United Kingdom or elsewhere) by an instrument in writing, and
 - (b) the purpose of the scheme, or one of its purposes, is to make payments of interest to or in respect of victims of National-Socialist persecution for qualifying purposes in respect of qualifying deposits.

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- (3) Interest is paid for a qualifying purpose in respect of a deposit if—
- (a) it is paid for meeting a liability in respect of interest on the deposit, or
 - (b) it is paid for compensating for the effects of inflation on the deposit.
- (4) In relation to a victim of National-Socialist persecution, a deposit is a qualifying deposit if it was made—
- (a) by, or on behalf of, the victim, and
 - (b) on or before 5th June 1945.
- (5) In this section “deposit” has the meaning given by section 481(3) of ICTA.”.
- (3) In section 783 of ITTOIA 2005 (general disregard of exempt income for income tax purposes)—
- (a) for subsection (2) (exception to general disregard) substitute—

“(2) There are exceptions to this in the following cases.

 - (2A) Interest on deposits in ordinary accounts with the National Savings Bank which is exempt under this Part from every charge to income tax is not to be ignored for the purpose of providing information.
 - (2B) Interest paid to or in respect of victims of National-Socialist persecution which is so exempt is not to be ignored for the purposes of sections 17 and 18 of TMA 1970 (information provisions relating to interest).”, and
 - (b) in subsection (3) (subsection (2) without prejudice to other exceptions) for “This express exception to subsection (1) is” substitute “ These express exceptions to subsection (1) are ”.
- (4) After section 268 of TCGA 1992 (decorations for valour or gallant conduct) insert—
- “268A Victims of National-Socialist persecution**
- (1) A gain accruing on a disposal is not a chargeable gain if it accrues on—
 - (a) a disposal of the right to receive the whole or any part of a qualifying payment in respect of National-Socialist persecution, or
 - (b) a disposal of an interest in any such right.
 - (2) A payment is a qualifying payment in respect of National-Socialist persecution if it is payable as mentioned in paragraphs (a) to (c) of section 756A(1) of ITTOIA 2005 (income tax exemption for payments to or in respect of victims of National-Socialist persecution).
 - (3) In this section “interest”, in relation to any right, means an interest as a co-owner of the right.
 - (4) It does not matter—
 - (a) whether the right is owned jointly or in common, or
 - (b) whether or not the interests of the co-owners are equal.”.
- (5) If at any time before claims could have been made under any qualifying compensation scheme—
- (a) a person beneficially entitled to a qualifying deposit has died, and

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- (b) no information in respect of that deposit was contained in any account relating to that deceased person under any provision of IHTA 1984, that deposit is to be ignored for all purposes of IHTA 1984.
- (6) For this purpose “qualifying compensation scheme” and “qualifying deposit” have the same meaning as in section 756A of ITTOIA 2005.
- (7) Subsection (2) has effect (and is deemed always to have had effect)—
- (a) for the year 1996-97, and
 - (b) subsequent years of assessment.
- (8) Subsection (4) has effect (and is deemed always to have had effect) in relation to disposals made on or after 6th April 1996; but no loss accruing on a disposal made before 6th April 2006 is, as a result of that subsection, to cease to be an allowable loss.
- (9) In relation to any time before 6th April 2005 (the commencement of ITTOIA 2005)—
- (a) the section inserted by subsection (2) is to be treated as if it were inserted into ICTA (and as if, in subsection (5) of that section, “of ICTA” were omitted), and
 - (b) any reference to that section in any enactment is to be read accordingly.
- (10) In relation to the year 2005-06 or any earlier year of assessment, all such adjustments are to be made as are required to give effect to the exemptions conferred as a result of this section.
- (11) But the adjustments are to be made only if the person entitled to the exemption makes a claim for the exemption on or before 31st January 2012.
- (12) The adjustments may be made by discharge or repayment of tax, the making of an assessment or otherwise.

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