

SCHEDULES

SCHEDULE 11

TAX RELIEF FOR BUSINESS EXPENDITURE ON CARS AND MOTOR CYCLES

PART 1

CAPITAL ALLOWANCES

Plant and machinery allowances for cars and motor cycles

- 1 Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.
- 2 In section 38B (general exclusions from AIA qualifying expenditure), in general exclusion 2, for “81” substitute “268A”.
- 3 In section 46(2) (general exclusions from first year allowances), in general exclusion 2, for “81” substitute “268A”.
- 4 Omit sections 74 to 79 (cars above the cost threshold).
- 5 Omit section 81 (extended meaning of “car”) and section 82 (qualifying hire cars).
- 6 In section 84 (cases in which short-life asset treatment is ruled out), in the Table, in item 3, in the first column, for “81” substitute “268A”.
- 7 (1) Section 104A (special rate expenditure) is amended as follows.
 - (2) In subsection (1)—
 - (a) in paragraph (a), after “the” insert “first”,
 - (b) omit “and” at the end of paragraph (c), and
 - (c) insert at the end “, and
 - (e) expenditure incurred on or after the second relevant date on the provision of a car that is not a main rate car.”
 - (3) In subsection (2), after “The” insert “first”.
 - (4) After that subsection insert—

“(3) The second relevant date is—

 - (a) for corporation tax purposes, 1 April 2009, and
 - (b) for income tax purposes, 6 April 2009.

(4) In this section—

“car” has the meaning given in section 268A;

“main rate car” has the meaning given in section 104AA.”
- 8 After that section insert—

“104AA Meaning of “main rate car”

- (1) “Main rate car” means—
 - (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions, or
 - (c) a car that is electrically-propelled.
- (2) For the purposes of this section a car has low CO₂ emissions if it meets conditions A and B.
- (3) Condition A is that, when the car is first registered, it is so registered on the basis of a qualifying emissions certificate.
- (4) Condition B is that the applicable CO₂ emissions figure in relation to the car does not exceed 160 grams per kilometre driven.
- (5) The Treasury may by order amend the amount from time to time specified in subsection (4).
- (6) An order under subsection (5) may contain transitional provision and savings.
- (7) In this section—

“applicable CO₂ emissions figure” and “qualifying emissions certificate” have the meanings given in section 268C;

“car” has the meaning given in section 268A;

“electrically-propelled” has the meaning given in section 268B.”

9 After section 104E insert—

“104F Special rate cars: discontinued activity continued by relevant company

- (1) This section applies if—
 - (a) a company (“the taxpayer”) has incurred special rate expenditure within section 104A(1)(e) (expenditure on a car other than a main rate car) to which section 104C applies (allocation to special rate pool),
 - (b) the qualifying activity carried on by the taxpayer is permanently discontinued, and
 - (c) conditions A, B and C are met.
- (2) Condition A is that the qualifying activity carried on by the taxpayer consisted of or included (other than incidentally) making cars available to other persons.
- (3) Condition B is that, at any time in the 6 months after the taxpayer’s qualifying activity is permanently discontinued, the qualifying activity of a group relief company consists of or includes (other than incidentally) making cars available to other persons.
- (4) Condition C is that the balancing allowance (“SBA”) to which the taxpayer would be entitled (but for this section) in respect of the special rate pool is greater than—

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BC – OBA

where—

BC is the total of the balancing charges (if any) to which the taxpayer is liable for the final chargeable period in respect of any pool, and

OBA is the total of the balancing allowances to which the taxpayer is entitled for that period in respect of any pool other than the special rate pool.

For the purposes of this section if $BC - OBA$ is a negative amount it is to be treated as if it were nil.

- (5) The balancing allowance to which the taxpayer is entitled in respect of the special rate pool is reduced to an amount equal to $BC - OBA$.
- (6) The relevant company is to be treated as having incurred qualifying expenditure within section 104A(1)(e) (“notional expenditure”), whether or not the relevant company owns cars previously owned by the taxpayer.
- (7) The amount of the notional expenditure is an amount equal to the amount by which SBA exceeds $BC - OBA$.
- (8) The relevant company is to be treated as having incurred the notional expenditure on the day after the end of the taxpayer’s final chargeable period.
- (9) If part of the chargeable period in which the relevant company is treated as incurring expenditure under this section (“the acquisition period”) overlaps with the taxpayer’s penultimate chargeable period—
 - (a) the part of the expenditure which is proportional to that part of the acquisition period is not to be taken into account in determining the relevant company’s available qualifying expenditure for the acquisition period, but
 - (b) this does not prevent that part of the expenditure being taken into account in determining the relevant company’s available qualifying expenditure for any subsequent chargeable period.
- (10) In this section—
 - “car” has the meaning given in section 268A;
 - “company” means any body corporate;
 - “group relief company” means—
 - (a) a company to which group relief under Chapter 4 of Part 10 of ICTA would be available (on the making of a claim) in respect of balancing allowances surrendered by the taxpayer in the taxpayer’s final chargeable period, and
 - (b) a company to which such relief would be available (on the making of a claim) in respect of balancing allowances surrendered by a company within paragraph (a);
 - “main rate car” has the meaning given in section 104AA;
 - “penultimate chargeable period” means the chargeable period preceding the final chargeable period;
 - “the relevant company” means the group relief company mentioned in subsection (3) or, if there is more than one, the one—

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- (a) nominated by the taxpayer not more than 6 months after the end of the taxpayer's final chargeable period, or
- (b) in the absence of such a nomination, nominated by Her Majesty's Revenue and Customs."

10 After section 208 insert—

“208A Cars: disposal value in avoidance cases

- (1) This section applies if—
 - (a) a disposal value is required to be brought into account under section 61,
 - (b) the disposal event is that the person ceases to own a section 206 car because of a sale or the performance of a contract, and
 - (c) allowances under this Part in respect of the person's expenditure under that transaction are restricted under section 217 or 218 (anti-avoidance).
- (2) A car is a section 206 car if expenditure on the provision of the car is required to be allocated to a single asset pool under that section.
- (3) The disposal value to be brought into account is—
 - (a) the market value of the car at the time of the disposal event, or
 - (b) if less, the capital expenditure incurred, or treated as incurred, on the provision of the car by the person disposing of it.
- (4) The person acquiring the car is to be treated as having incurred capital expenditure on its provision of an amount equal to the disposal value required to be brought into account under subsection (3).
- (5) In this section “car” has the meaning given in section 268A.”

11 After section 268 insert—

“Cars etc

268A Meaning of “car” and “motor cycle”

- (1) In this Part “car” means a mechanically propelled road vehicle other than—
 - (a) a motor cycle,
 - (b) a vehicle of a construction primarily suited for the conveyance of goods or burden of any description, or
 - (c) a vehicle of a type not commonly used as a private vehicle and unsuitable for such use.
- (2) In this Part “motor cycle” has the meaning given by section 185(1) of the Road Traffic Act 1988.

268B Electrically-propelled vehicles

For the purposes of this Part a vehicle is electrically-propelled only if—

- (a) it is propelled solely by electrical power, and
- (b) that power is derived from—

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- (i) a source external to the vehicle, or
- (ii) an electrical storage battery which is not connected to any source of power when the vehicle is in motion.

268C Terms relating to emissions

- (1) In this Part “qualifying emissions certificate”, in relation to a vehicle, means an EC certificate of conformity, or a UK approval certificate, that specifies—
 - (a) in the case of a vehicle other than a bi-fuel vehicle, a CO₂ emissions figure in terms of grams per kilometre driven, or
 - (b) in the case of a bi-fuel vehicle, separate CO₂ emissions figures in terms of grams per kilometre driven for different fuels.
- (2) For the purposes of this Part, in relation to a vehicle other than a bi-fuel vehicle, the applicable CO₂ emissions figure is—
 - (a) where the qualifying emissions certificate specifies only one CO₂ emissions figure, that figure, and
 - (b) where the certificate specifies more than one CO₂ emissions figure, the figure specified as the CO₂ emissions (combined) figure.
- (3) For the purposes of this Part, in relation to a bi-fuel vehicle, the applicable CO₂ emissions figure is—
 - (a) where the qualifying emissions certificate specifies more than one CO₂ emissions figure in relation to each fuel, the lowest CO₂ emissions (combined) figure specified, and
 - (b) in any other case, the lowest CO₂ figure specified by the certificate.
- (4) In this section—
 - “bi-fuel”, in relation to a vehicle, means capable of being propelled by—
 - (a) petrol and road fuel gas, or
 - (b) diesel and road fuel gas;
 - “diesel” means any diesel fuel within the definition in Article 2 of Directive [98/70/EC](#) of the European Parliament and of the Council;
 - “EC certificate of conformity” means a certificate of conformity issued by a manufacturer under any provision of the law of a member State implementing Article 6 of Council Directive [70/156/EEC](#), as amended;
 - “petrol” has the meaning given by Article 2 of Directive [98/70/EC](#) of the European Parliament and of the Council;
 - “road fuel gas” has the same meaning as in section 171(1) of ITEPA 2003;
 - “UK approval certificate” means a certificate issued under—
 - (a) section 58(1) or (4) of the Road Traffic Act 1988, or
 - (b) Article 31A(4) or (5) of the Road Traffic (Northern Ireland) Order 1981 ([S.I. 1981/154 \(N.I. 1\)](#)).

Consequential amendments of CAA 2001

12 CAA 2001 is amended as follows.

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- 13 In section 33 (personal security), omit subsection (7).
- 14 (1) Section 45D (expenditure on cars with low carbon dioxide emissions) is amended as follows.
- (2) In subsection (1), for paragraph (c) substitute—
- “(c) the car—
- (i) is electrically-propelled, or
- (ii) has low CO₂ emissions, and”.
- (3) In subsection (2), for “a car with low CO₂ emissions is a car which” substitute “a car has low CO₂ emissions if it”.
- (4) In subsection (3), for the words from “an EC certificate” to the end substitute “a qualifying emissions certificate.”
- (5) In subsection (4), for “in the case of” substitute “in relation to”.
- (6) Omit subsections (5) and (6).
- (7) In subsection (8)—
- (a) after “car” insert “is to a car within the meaning of section 268A, except that it”, and
- (b) omit paragraph (b) (and the “but” before it).
- (8) Omit subsections (9) and (10).
- (9) After subsection (10) insert—
- “(11) In this section—
- “applicable CO₂ emissions figure” and “qualifying emissions certificate” have the meanings given in section 268C;
- “electrically-propelled” has the meaning given in section 268B.”
- 15 In section 54(3) (single asset pools), omit “section 74 (car above the cost threshold)”.
- 16 In section 55(6) (determination of entitlement or liability), after “subject to” insert “section 104F (special rate cars: discontinued activity continued by relevant company) and”.
- 17 In section 65(3) (the final chargeable period), for “sections 77(1) and” substitute “section”.
- 18 In section 66 (list of provisions about disposal values)—
- (a) omit the entry in the list relating to section 79, and
- (b) insert at the appropriate place—
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- “section 208A cars: disposal value in avoidance cases”.
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- 19 (1) In section 84 (cases in which short-life asset treatment is ruled out), the Table is amended as follows.
- (2) In item 3, for the words in the second column substitute “The car is a hire car for a disabled person (as defined by section 268D).”

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- (3) In item 4, in the second column, insert “The expenditure is incurred on the provision of a car which is a hire car for a disabled person (as defined by section 268D)”.
- (4) In item 5, in the second column, for “within section 82(4) (cars hired out to persons receiving disability allowances etc)” substitute “a hire car for a disabled person (as defined by section 268D)”.
- 20 (1) Section 86 (short-life assets) is amended as follows.
- (2) In subsection (2)(b), for “main pool” substitute “appropriate pool”.
- (3) After subsection (4) insert—
- “(5) In subsection (2)(b) “appropriate pool” means—
- (a) in the case of expenditure incurred on the provision of a car that is not a main rate car (as defined by section 104AA), the special rate pool, and
- (b) in any other case, the main pool.”
- 21 In section 96 (expenditure on cars excluded from being long-life asset expenditure), for “car (as defined by section 81)” substitute “car or motor cycle (as defined by section 268A)”.
- 22 After section 268C (inserted by this Part of this Schedule) insert—

“268D Hire cars for disabled persons

- (1) For the purposes of this Part a car is a hire car for a disabled person if it is provided wholly or mainly for hire to, or the carriage of, disabled persons in the ordinary course of a trade.
- (2) “Disabled person” means a person in receipt of—
- (a) a disability living allowance under—
- (i) the Social Security Contributions and Benefits Act 1992, or
- (ii) the Social Security Contributions and Benefits (Northern Ireland) Act 1992,
- because of entitlement to the mobility component,
- (b) a mobility supplement under a scheme made under the Personal Injuries (Emergency Provisions) Act 1939,
- (c) a mobility supplement under an Order in Council made under section 12 of the Social Security (Miscellaneous Provisions) Act 1977, or
- (d) a payment that appears to the Treasury to be similar to those mentioned in paragraphs (a) to (c) and that is specified by order made by the Treasury.”
- 23 (1) Part 2 of Schedule 1 (defined expressions) is amended as follows.
- (2) In the entry relating to “car (in Part 2)”, for “section 81” substitute “section 268A”.
- (3) Insert at the appropriate places—

“applicable CO₂ emissions figure (in Part 2) section 268C”

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“electrically-propelled (in Part 2)	section 268B”
“hire car for a disabled person (in Part 2)	section 268D”
“motor cycle (in Part 2)	section 268A”
“qualifying emissions certificate (in Part 2)	section 268C”.

- 24 In Schedule 3 (transitionals and savings), omit paragraph 19 (cars above the cost threshold) and the headings immediately before it.

Consequential repeal

- 25 In consequence of the amendments made by this Part of this Schedule, in FA 2002, in Schedule 19, omit paragraph 6.

Commencement and transitionals: introduction

- 26 For the purposes of this Part of this Schedule—
- (a) the first relevant date is—
 - (i) for corporation tax purposes, 1 April 2009, and
 - (ii) for income tax purposes, 6 April 2009,
 - (b) the second relevant date is—
 - (i) for corporation tax purposes, 1 August 2009, and
 - (ii) for income tax purposes, 6 August 2009, and
 - (c) the third relevant date is—
 - (i) for corporation tax purposes, 1 April 2014, and
 - (ii) for income tax purposes, 6 April 2014.
- 27 (1) For the purposes of this Part of this Schedule “new expenditure” means—
- (a) expenditure incurred on or after the first relevant date, and
 - (b) expenditure incurred before that date to which sub-paragraph (2) applies, and expenditure that is not new expenditure is “old expenditure”.
- (2) This sub-paragraph applies to expenditure if—
- (a) it is incurred under an agreement for the provision of a car entered into after 8 December 2008, and
 - (b) under that agreement the car is not required to be made available before the second relevant date.
- (3) For the purposes of sub-paragraph (2) an agreement is entered into on the date on which the following conditions are met—
- (a) there is a contract in writing for the provision of the car,
 - (b) the contract is unconditional or, if it is conditional, the conditions have been met, and
 - (c) no terms remain to be agreed.

Commencement

- 28 (1) The amendments made by this Part of this Schedule have effect in relation to new expenditure (subject to sub-paragraph (2)).
- (2) The repeal of section 79 of CAA 2001 and the amendments made by paragraphs 10 and 18 have effect in cases in which a person ceases to own a car or motor cycle if the expenditure incurred on the provision of the car or motor cycle is new expenditure.
- 29 (1) The repeal of sections 74 to 78 of CAA 2001 and the amendments made by paragraphs 15 and 17 have effect in relation to old expenditure, but only for chargeable periods beginning on or after the third relevant date.
- (2) The repeal of section 79 of CAA 2001 and the amendment made by paragraph 18(a) have effect in cases in which a person ceases to own a car or motor cycle if the expenditure incurred on the provision of the car or motor cycle is old expenditure, but only for chargeable periods beginning on or after the third relevant date.

Transitionals

- 30 (1) This paragraph applies where expenditure incurred by a person on the provision of a car or motor cycle includes both new expenditure and old expenditure.
- (2) The new expenditure and the old expenditure are to be treated as if they were incurred on the provision of separate (but identical) cars or motor cycles.
- (3) Any amount required to be brought into account in connection with a disposal event in respect of the car or motor cycle mentioned in sub-paragraph (1) is to be apportioned on a just and reasonable basis.
- 31 (1) This paragraph applies where—
- (a) old expenditure is required to be allocated to a single asset pool by section 74 of CAA 2001,
 - (b) there is unrelieved expenditure in that pool at the end of a transitional chargeable period, and
 - (c) the unrelieved expenditure is not required to be allocated to a single asset pool by any other provision of Part 2 of that Act.
- (2) The unrelieved expenditure must be carried forward to the main pool.
- (3) A “transitional chargeable period” is one that begins before the third relevant date and ends on or after the day before the third relevant date.
- 32 An order made under section 82(4)(d) of CAA 2001 (qualifying hire cars for disabled persons) before the day on which this Act is passed (and not revoked before that day) has effect as if it had also been made under section 268D(2)(d) of that Act (hire cars for disabled persons) (inserted by this Part of this Schedule).

Interpretation

- 33 In this Part of this Schedule—
- (a) “car” and “motor cycle” have the meaning given in section 268A of CAA 2001 (inserted by paragraph 11), and
 - (b) other expressions used in this Part of this Schedule and in Part 2 of CAA 2001 have the same meaning here as in that Part of that Act.