
Changes to legislation: Finance Act 2009, Cross Heading: Income tax is up to date with all changes known to be in force on or before 26 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 11

TAX RELIEF FOR BUSINESS EXPENDITURE ON CARS AND MOTOR CYCLES

PART 2

RESTRICTIONS ON DEDUCTIONS FOR HIRE EXPENSES

Income tax

- 34 ITTOIA 2005 is amended as follows.
- 35 In section 31(1)(b) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 36 (1) Section 48 (rules restricting deductions from profits: car or motor cycle hire) is amended as follows.
- (2) In subsection (1), for the words from “or motor cycle”, in the first place, to the end substitute “which is not—
- (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions,
 - (c) a car that is electrically propelled, or
 - (d) a qualifying hire car.”
- (3) In subsection (2), for the words from “multiplying” to the end substitute “ 15% ”.
- (4) In subsection (4), for “multiplying it by the fraction in subsection (2)” substitute “ 15% ”.
- (5) In subsection (4A)(a), (b) and (c), omit “or motor cycle”.
- (6) Omit subsection (5).
- (7) In the heading, omit “or motor cycle”.
- 37 (1) Section 49 (car or motor cycle hire: supplementary) is amended as follows.
- (2) In subsection (1)—
- (a) omit “or motor cycle”,
 - (b) omit “one”,
 - (c) before paragraph (a) insert—
 - “(za) a motor cycle (within the meaning of section 185(1) of the Road Traffic Act 1988),” and
 - (d) in paragraphs (a) and (b), insert at the beginning “a vehicle”.
- (3) After that subsection insert—

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“(1A) In section 48—

“a car that has low CO2 emissions” has the same meaning as in section 104AA of CAA 2001 (special rate expenditure: main rate car);

“electrically propelled” has the meaning given in section 268B of that Act.”

(4) In subsection (2)—

(a) omit “or motor cycle” (in each place),

(b) omit paragraph (c), and

(c) insert at the end—

“(d) is leased under a long-funding lease (within the meaning of section 70G of CAA 2001).”

(5) In subsection (6), omit “and section 48”.

(6) In the heading, omit “or motor cycle”.

38 Omit section 50 (hiring cars with low carbon dioxide emissions).

39 After that section insert—

“50A Short-term hiring in and long-term hiring out

(1) Section 48 does not apply to expenses incurred by a person (“the taxpayer”) on the hiring of a car if condition A or B is met.

(2) Condition A is that—

(a) the expenses are incurred in respect of the making available of the car to the taxpayer for a period (“the hire period”) of not more than 45 consecutive days, and

(b) if the car is made available to the taxpayer (whether by the same person or different persons) for one or more periods linked to the hire period, the hire period and the linked period or periods, taken together, consist of not more than 45 days.

(3) Condition B is that the expenses are incurred in respect of a period (“the sub-hire period”) throughout which the taxpayer makes the car available to another person (“the customer”) and—

(a) the sub-hire period consists of more than 45 consecutive days, or

(b) if the taxpayer makes the car available to the customer throughout one or more periods linked to the sub-hire period, the sub-hire period and the linked period or periods, taken together, consist of more than 45 days,

but see subsection (4).

(4) Condition B is not met if—

(a) the customer is an employee of the taxpayer or of a person connected with the taxpayer, or

(b) during all or part of the sub-hire period (or any period linked to the sub-hire period), the customer makes any car available to an employee of the taxpayer under arrangements with the taxpayer or with a person connected with the taxpayer.

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- (5) Neither condition A nor condition B is met if the car is hired under arrangements the purpose, or one of the main purposes, of which is—
 - (a) to disapply or reduce the effect of section 48, or
 - (b) other avoidance of tax.
- (6) For the purposes of condition B the expenses incurred by the taxpayer on the hiring of the car must be apportioned between—
 - (a) the sub-hire period, and
 - (b) the remainder of the period during which the car is made available to the taxpayer,according to the respective lengths of those periods.
- (7) A period of consecutive days (“the main period”) is linked to—
 - (a) a period of consecutive days that ends not more than 14 days before the main period begins,
 - (b) a period of consecutive days that begins not more than 14 days after the main period ends, and
 - (c) a period of consecutive days linked to a period in paragraph (a) or (b).
- (8) For the purposes of this section, where arrangements for the hiring of a car include arrangements for the provision of a replacement car in the event that the first car is not available, the first car and any replacement car are to be treated as if they were the same car.
- (9) In this section (and section 50B) “arrangements” includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable and whether involving a single transaction or two or more transactions.

50B Connected persons: application of section 48

- (1) This section applies where connected persons incur expenses on the hiring of the same car for the same period and—
 - (a) section 48 would (but for this section) apply to the expenses of two or more of those persons, or
 - (b) section 48 and section 56 of CTA 2009 would (but for this section and section 58B of that Act) each apply to the expenses of at least one of those persons.
- (2) This section only applies where one or more of the persons mentioned in subsection (1)(a) or (b) incurs the expenses under commercial arrangements (and such a person is referred to below as a “commercial lessee”).
- (3) In relation to the expenses mentioned in subsection (1) to which section 48 would (but for this section) apply, section 48 only applies to the following—
 - (a) where there is one commercial lessee, any such expenses incurred by that lessee, and
 - (b) where there is more than one, any such expenses incurred by the first commercial lessee in the chain of arrangements for the hiring of the car for the period.
- (4) In this section—

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- (a) references to expenses incurred by a commercial lessee include expenses incurred in that or any other capacity, and
 - (b) “commercial arrangements” means arrangements the terms of which are such as would reasonably have been expected if the parties to the arrangements had been dealing at arm's length.”
- 40 In section 247(1) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.
- 41 In section 272(2) (profits of a property business: application of trading income rules), in the entry in the Table relating to sections 48 to 50—
- (a) for “50” substitute “ 50B ”, and
 - (b) omit “or motor cycle”.
- 42 In section 274(1)(b) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 43 In section 354(2) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.
- 44 In Schedule 2 (transitionals and savings), omit paragraphs 16 and 17 (and the heading before them).

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 102(4)(za) inserted by [2010 c. 33 Sch. 9 para. 3\(3\)](#)
- Sch. 53 para. 2A-2D and cross-heading inserted by [2010 c. 33 Sch. 9 para. 7](#)
- Sch. 53 para. 6A and cross-heading inserted by [2010 c. 33 Sch. 9 para. 8](#)
- Sch. 53 para. 11A11B and cross-heading inserted by [2010 c. 33 Sch. 9 para. 17](#)
- Sch. 53 para. 14A and cross-heading inserted by [2010 c. 33 Sch. 9 para. 18](#)
- Sch. 54 para. 9B9C and cross-heading inserted by [2010 c. 33 Sch. 9 para. 11](#) (Sch. 54 para. 9B is amended before it comes into force by [2016 c. 24, Sch. 1 para. 66\(5\)](#))
- Sch. 54 para. 12A12B and cross-heading inserted by [2010 c. 33 Sch. 9 para. 19](#)
- Sch. 54 Pt. A1 inserted by [2010 c. 33 Sch. 9 para. 10](#) (Sch. 9 para. 10 is amended before it comes into force by [2017 c. 32, Sch. 4 para. 182](#))
- Sch. 55 para. 6(3A)(za) inserted by [2015 c. 11 Sch. 20 para. 15\(2\)\(a\)](#)
- Sch. 55 para. 6(4A)(za) inserted by [2015 c. 11 Sch. 20 para. 15\(3\)\(a\)](#)
- Sch. 55 para. 17(4)(ba) inserted by [2015 c. 11 Sch. 20 para. 19](#)