

2021 No. 120

CORPORATION TAX

INCOME TAX

The Capital Allowances Act 2001 (Car Emissions) (Extension of First-year Allowances) (Amendment) Order 2021

<i>Made</i>	- - - -	<i>4th February 2021</i>
<i>Laid before the House of Commons</i>		<i>5th February 2021</i>
<i>Coming into force</i>	- -	<i>1st April 2021</i>

The Treasury make this Order in exercise of the powers conferred by sections 45D(1A) and (7), 45DA(1A), 45E(1A), 104AA(5) and (6) of the Capital Allowances Act 2001(a).

Citation, commencement, effect and interpretation

1.—(1) This Order may be cited as the Capital Allowances Act 2001 (Car Emissions) (Extension of First-year Allowances) (Amendment) Order 2021 and comes into force on 1st April 2021.

(2) The amendment made by—

- (a) article 3(b) has effect in relation to expenditure incurred on or after 1st April 2021,
- (b) article 6 has effect in relation to expenditure incurred on or after the relevant date.

(3) Paragraph (2)(b) is subject to article 7.

(4) In this Order “the relevant date” means—

- (a) in the case of income tax, 6th April 2021, and
- (b) in the case of corporation tax, 1st April 2021.

Amendment of the Capital Allowances Act 2001

2. The Capital Allowances Act 2001 is amended as provided for in articles 3 to 6.

(a) 2001 c. 2. Section 45D was inserted by paragraph 3 of Schedule 19 to the Finance Act 2002 (c. 23) (“FA 2002”) and subsection (1A) was inserted by section 64(2) of the Finance Act 2014 (c. 26) (“FA 2014”). Section 45DA was inserted by paragraph 3 of Schedule 7 to the Finance (No. 3) Act 2010 (c. 33) and subsection (1A) was inserted by section 64(3) of FA 2014. Section 45E was inserted by paragraph 3 of Schedule 20 to FA 2002 and subsection (1A) was inserted by section 64(4) of FA 2014. Section 104AA was inserted by paragraph 8 of Schedule 11 the Finance Act 2009 (c. 10) (“FA 2009”).

3. In section 45D (expenditure on cars with low carbon dioxide emissions)—
- (a) in subsection (1)(a)(a) for “2021” substitute “2025”, and
 - (b) in subsection (4)(b) for “50” substitute “0”.
4. In section 45DA(1)(a) (expenditure on zero-emission goods vehicles)(c) for “11 years” substitute “15 years”.
5. In section 45E(1)(a) (expenditure on plant or machinery for gas refuelling station)(d) for “2021” substitute “2025”.
6. In section 104AA(4) (meaning of “main rate car”)(e) for “110” substitute “50”.

Savings

7. Section 104AA(4) of the Capital Allowances Act 2001 continues to have effect as if it had not been amended by article 6 for the purposes of section 49(1A) (car hire: supplementary) of the Income Tax (Trading and Other Income) Act 2005(f) and section 57(1A) (car hire: supplementary) of the Corporation Tax Act 2009(g), in relation to expenditure incurred in the hiring of a car—
- (a) for a period of hire which begins before the relevant date, and
 - (b) under a contract entered into before that date.

David Rutley
James Morris

4th February 2021

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends sections 45D, 45DA, 45E and 104AA of the Capital Allowances Act 2001 (c. 2). These sections set out the conditions to be met to qualify for 100% first-year allowances on expenditure in respect of cars with low carbon dioxide emissions (section 45D), zero-emission goods vehicles (section 45DA) and plant and machinery for gas refuelling stations (section 45E). Section 104AA sets out the conditions to qualify for the main rate allowance on expenditure in respect of cars with low carbon dioxide emissions.

Article 3 extends the first-year allowance for cars with low carbon dioxide emissions for a further four years to 31st March 2025. It also reduces the qualifying emissions threshold for the first-year allowance from 50 grams to 0 grams per kilometre driven, in relation to expenditure incurred on or after 1st April 2021.

Article 4 extends the relief for zero-emission goods vehicles for a further four years to 31st March 2025 for expenditure incurred by a person within the charge to corporation tax and to 5th April 2025 for expenditure incurred by a person within the charge to income tax.

Article 5 extends the relief for plant and machinery for gas refuelling stations for a further four years to 31st March 2025.

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- (a) Section 45D(1)(a) was amended by section 77(2) of the Finance Act 2008 (c. 9) (“FA 2008”), section 68(1)(a) of the Finance Act 2013 (c. 29) (“FA 2013”), S.I. 2015/60 and S.I. 2016/984.
 - (b) Section 45D(4) was amended by section 77(3) of FA 2008, paragraph 14 of Schedule 11 to FA 2009, section 68(1)(b) of FA 2013, S.I. 2015/60 and S.I. 2016/984.
 - (c) Section 45DA(1)(a) was amended by section 45(2) of the Finance Act 2015 (c. 11) and S.I. 2017/1304.
 - (d) Section 45E(1)(a) was amended by section 78(2) of FA 2008, section 69 of FA 2013, S.I. 2015/60 and S.I. 2017/1304.
 - (e) Section 104AA(4) was amended by section 68(3) of FA 2013 and S.I. 2016/984.
 - (f) 2005 c. 5; section 49(1A) was inserted by section 30 and paragraph 37 of Schedule 11 to FA 2009.
 - (g) 2009 c. 4; section 57(1A) was inserted by section 30 and paragraph 48 of Schedule 11 to FA 2009.

Article 6 reduces the qualifying emissions threshold for the main rate allowance from 110 grams to 50 grams per kilometre driven, in relation to expenditure incurred on or after 1st April 2021 for corporation tax purposes or 6th April 2021 for income tax purposes.

Article 7 provides that section 49(1A) of the Income Tax (Trading and Other Income) Act 2005 (c. 5) and section 57(1A) the Corporation Tax Act 2009 (c. 4) shall be read as if the change made by article 6 to the emissions thresholds in section 104AA(4) the Capital Allowances Act 2001 did not have effect for expenditure incurred on the hiring of a car for a period of hire beginning before the relevant date and under a contract entered into before that date. For corporation tax purposes the relevant date is 1st April 2021 and for income tax purposes the relevant date is 6th April 2021.

A Tax Information and Impact Note covering this instrument was published on 11 March 2020 alongside the Budget Report 2020 and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

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