



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

[^{F1}CHAPTER 5A

TRADE PROFITS: DEDUCTIONS ALLOWABLE AT A FIXED RATE

[^{F1}Expenditure on vehicles

Textual Amendments

- F1** Pt. 2 Ch. 5A inserted (with effect in accordance with Sch. 5 para. 6 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 5 para. 2](#)

94D Expenditure on vehicles

- (1) This section applies if, in calculating the profits of a trade of a person for a period—
- (a) a deduction would otherwise be allowable for the period in respect of qualifying expenditure incurred in relation to a relevant vehicle (see subsection (2)), or
 - (b) a deduction would be so allowable in respect of such expenditure but for the fact it is capital expenditure.
- (2) In this section “relevant vehicle” means a car, motor cycle or goods vehicle that—
- (a) is used for the purposes of the trade, and
 - (b) is not an excluded vehicle (see section 94E).

Status: Point in time view as at 06/04/2023.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Cross Heading: Expenditure on vehicles. (See end of Document for details)

- (3) The person may make a deduction under this section for the period in respect of the qualifying expenditure.
- (4) If a deduction for a period is made under this section—
 - (a) no other deduction is allowed (for that or any other period) in respect of the qualifying expenditure, and
 - (b) this section applies in relation to the relevant vehicle for every subsequent period for which the vehicle is used for the purposes of the trade.
- (5) The amount of the deduction is the appropriate mileage amount in relation to the relevant vehicle for the period (see section 94F).
- (6) In this section “qualifying expenditure”, in relation to a vehicle, means any expenditure incurred in respect of the acquisition, ownership, hire, leasing or use of the vehicle, other than incidental expenses incurred in connection with a particular journey.
- (7) For provision preventing capital allowances from being claimed in respect of qualifying expenditure incurred in relation to a relevant vehicle, see section 38ZA of CAA 2001.

94E Excluded vehicles

- (1) A car, motor cycle or goods vehicle that is used for the purposes of a trade is an “excluded vehicle” for the purposes of section 94D if condition A or B is met in relation to the vehicle.
- (2) Condition A is that the person who is or has been carrying on the trade has at any time claimed any capital allowances under Part 2 of CAA 2001 in respect of any expenditure incurred on the provision of the vehicle.
- (3) Condition B is that—
 - (a) the vehicle is a goods vehicle or a motor cycle, and
 - (b) any of the expenditure incurred on acquiring the vehicle has been deducted in calculating the profits of [^{F2}any relevant trade or business] for a period on the cash basis (see [^{F3}sections 25A and 271D]).

[In this section “any relevant trade or business” means any trade or property business ^{F4}(4) carried on by the person carrying on the trade mentioned in subsection (1).]

Textual Amendments

- F2** Words in s. 94E(3)(b) substituted (with effect in accordance with s. 36(7)(9) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(2\)\(a\)](#)
- F3** Words in s. 94E(3)(b) substituted (with effect in accordance with s. 36(7)(9) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(2\)\(b\)](#)
- F4** S. 94E(4) inserted (with effect in accordance with s. 36(7)(9) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 36\(3\)](#)

94F The appropriate mileage amount

- (1) In calculating the profits of a trade for a period, the appropriate mileage amount in relation to a relevant vehicle for the period is—

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$$M \times R$$

where—

M is the number of miles of business journeys made by a person (other than as a passenger) using that vehicle in the period, and

R is the rate applicable to that kind of vehicle.

(2) The rates applicable are as follows—

TABLE

<i>Kind of vehicle</i>	<i>Rate per mile</i>
Car or goods vehicle	45p for the first 10,000 miles 25p after that
Motor cycle	24p

(3) In a case where the total number of miles of relevant business journeys made in the period is greater than 10,000, the rate of 45p per mile is available only in relation to 10,000 of those miles.

(4) “Relevant business journey” means any business journey made in the period by a car or goods vehicle—

- (a) that is used for the purposes of the trade, and
- (b) in relation to which section 94D applies for the period.

(5) In this section—

“business journey”, in relation to a vehicle used for the purposes of a trade, means any journey, or any identifiable part or proportion of a journey, that is made wholly and exclusively for the purposes of the trade, and

“relevant vehicle” has the same meaning as in section 94D.

(6) The Treasury may by regulations amend subsection (2) so as to alter the rates or rate bands.

Regulations under this subsection may also make consequential amendments to subsection (3).

94G Definitions of types of vehicle

(1) This section applies for the purposes of sections 94D to 94F (and this section).

(2) “Car” means a mechanically propelled road vehicle which is not—

- (a) a goods vehicle,
- (b) a motor cycle,
- (c) an invalid carriage, or
- (d) a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used.

(3) “Goods vehicle” means a mechanically propelled road vehicle which—

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- (a) is of a construction primarily suited for the conveyance of goods or burden of any description, and
 - (b) is not a motor cycle.
- (4) “Motor cycle” has the meaning given by section 185(1) of the Road Traffic Act 1988.
- (5) For the purposes of this section “invalid carriage” has the meaning given by section 185(1) of the Road Traffic Act 1988.]

Status:

Point in time view as at 06/04/2023.

Changes to legislation:

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