



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 6

TAXABLE BENEFITS: CARS, VANS AND RELATED BENEFITS

Cars: capital contributions by employee

132 Capital contributions by employee

- (1) This section applies [^{F1}for the purposes of section 121(1)] if the employee contributes a capital sum to expenditure on the provision of—
 - (a) the car, or
 - (b) any qualifying accessory which is taken into account in calculating the cash equivalent of the benefit of the car.
- (2) A deduction is to be made from the amount carried forward from step 2 of section 121(1)—
 - (a) for the tax year in which the contribution is made, and
 - (b) for all subsequent years in which the employee is chargeable to tax in respect of the car by virtue of section 120.
- (3) The amount of the deduction allowed in any tax year is the lesser of—
 - (a) the total of the capital sums contributed by the employee in that year and any earlier years to expenditure on the provision of—
 - (i) the car, or

Status: Point in time view as at 12/02/2019.

Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Cars: capital contributions by employee is up to date with all changes known to be in force on or before 01 July 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)

- (ii) any qualifying accessory which is taken into account in calculating the cash equivalent of the benefit of the car for the tax year in question, and
- (b) £5,000.

Textual Amendments

F1 Words in s. 132(1) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by Finance Act 2017 (c. 10), **Sch. 2 para. 26**

[^{F2}132A Capital contributions by employee: optional remuneration arrangements

- (1) This section applies for the purposes of section 121A(1) if the employee contributes a capital sum to expenditure on the provision of—
 - (a) the car, or
 - (b) any qualifying accessory which is taken into account in calculating under section 121B the modified cash equivalent of the benefit of the car.
- (2) A deduction is to be made from the amount carried forward from step 1 of section 121A(1)—
 - (a) for the tax year in which the contribution is made, and
 - (b) for all subsequent tax years in which the employee is chargeable to tax in respect of the car by virtue of section 120A.
- [^{F3}(3) The amount of the deduction allowed in any tax year is found by—
 - (a) first multiplying the capped amount by the appropriate percentage, and
 - (b) then multiplying the result by the availability factor.]
- (4) In subsection (3) the reference to “the appropriate percentage” is to the appropriate percentage for the car for the tax year (determined in accordance with sections 133 to 142).
- [For the purposes of subsection (3), “the availability factor” is given by the formula—
- ^{F4}(4A)
$$Y - U Y$$
 where—
 - Y is the number of days in the tax year, and
 - U is the number of days in the tax year on which the car is unavailable.
- (4B) For the purposes of subsection (4A), the car is unavailable on any day if the day—
 - (a) falls before the first day on which the car is available to the employee,
 - (b) falls after the last day on which the car is available to the employee, or
 - (c) falls within a period of 30 days or more throughout which the car is not available to the employee.]
- (5) In this section “the capped amount” means the lesser of—
 - (a) the total of the capital sums contributed by the employee in that year and any earlier years to expenditure on the provision of—
 - (i) the car, or

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- (ii) any qualifying accessory which is taken into account in calculating under section 121B the modified cash equivalent of the benefit of the car for the tax year in question, and
- (b) £5,000.
- (6) This section is modified by section 147A (classic cars: optional remuneration arrangements).]

Textual Amendments

- F2** S. 132A inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 27](#)
- F3** S. 132A(3) substituted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(4\)\(a\)](#)
- F4** S. 132A(4A)(4B) inserted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(4\)\(b\)](#)

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