

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 7: Cars: the Appropriate Percentage for 2017-18

Summary

1. This section modifies the appropriate percentage bands by revising the appropriate percentages for cars (including those registered before 1 January 1998 and those without a registered CO₂ emissions figure). This increases the level of chargeable benefit for company car tax for employees and of Class 1A National Insurance contributions (NICs) for employers. The amendment has effect on or after 6 April 2017.

Details of the Section

2. Subsection (1) introduces changes to Chapter 6 of Part 3 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 (taxable benefits: cars, vans and related benefits) which increase the appropriate percentage for cars for the tax year 2017-18.
3. Subsection (2) introduces the changes to section 139 ITEPA 2003.
4. Subsection (3) increases the appropriate percentage for cars. Subsection (4) increases the appropriate percentage of the relevant threshold (95 grammes per kilometre) from 16% to 18%. (The relevant threshold is the approved CO₂ emissions figure upon which all calculations and bandings of the appropriate percentage are based). The increases are outlined in the following table.

<i>CO₂ emissions figure (grammes per kilometre)</i>	<i>Increase in appropriate percentage:</i>	
	<i>from</i>	<i>to</i>
0 - 50	7%	9%
51 - 75	11%	13%
76 - 94	15%	17%
95 (relevant threshold)	16%	18%

5. Subsection (5) introduces a change to section 140 ITEPA 2003 and increases the appropriate percentage for cars without a CO₂ emissions figure. The percentage for engines with a cylinder capacity of 1400cc or less increases from 16% to 18%; and for those with a cylinder capacity of 1401cc to 2000cc increases from 27% to 29%.
6. Subsection (6) introduces a change to section 142 ITEPA 2003 and increases the appropriate percentage for cars first registered before 1 January 1998 with an internal combustion engine with a cylinder capacity of 1400 cc or less from 16% to 18%. The increase in the appropriate percentage for cars first registered before 1 January 1998 with an internal combustion engine with a cylinder capacity of 1401 cc to 2000 cc increases from 27% to 29%.

7. Subsection (7) provides that these changes have effect for the tax year 2017-18.

Background Note

8. [Section 139](#) ITEPA 2003 sets out the basis for calculating the appropriate percentage for cars with CO₂ emissions. The appropriate percentage multiplied by the list price of the car (adjusted for any taxable accessories) provides the level of chargeable benefit for company car tax for employees and of Class 1A NICs for employers.
9. From 6 April 2017, the graduated table of bands for taxing the benefit of a company car will provide for a two percentage point increase for each band, starting at 9% for cars emitting 0-50 grams of CO₂ per kilometre to a maximum of 37% for cars emitting 200 grams of CO₂ per kilometre or more.
10. This will continue to support the wider market for ultra low emission vehicles (ULEVs) by maintaining lower taxation for ULEVs. At the same time, the increase in appropriate percentages ensures the tax system continues to support the sustainability of the public finances.
11. The government is committed to legislating over a year in advance of the implementation date so that employers and employees can make informed choices about the type of vehicle and future tax implications.
12. [Section 140](#) ITEPA 2003 sets out the basis for calculating the appropriate percentage for cars without a CO₂ emissions figure and all but the highest band have been increased.
13. [Section 142](#) ITEPA 2003 sets out the basis for calculating the appropriate percentage for cars registered before 1 January 1998 and these have also been increased in line with the other changes.