STATUTORY INSTRUMENTS

2017 No. 740

CORPORATION TAX

INCOME TAX

The Capital Allowances Act 2001 (Cars Emissions) (Amendment) Order 2017

Made - - - -	*12th July 2017*
Laid before the House of Commons	*13th July 2017*
Coming into force - -	*3rd August 2017*

The Treasury make the following Order in exercise of the powers conferred by sections 104AA(5) and (6) of the Capital Allowances Act 2001(**a**).

Citation and commencement

1.—(1) This Order may be cited as the Capital Allowances Act 2001 (Cars Emissions) (Amendment) Order 2017 and comes into force on 3rd August 2017.

Amendment of the Capital Allowances Act 2001 (Cars Emissions) Order 2016

2.—(1) The Capital Allowances Act 2001 (Cars Emissions) Order 2016(**b**) is amended as follows.

(2) Article 2 is renumbered as paragraph (1) of that article.

(3) After paragraph (1) as so renumbered, insert—

"(2) This article is subject to article 7 (savings)."

(4) After article 6, insert—

"**Savings**

7.—(1) In relation to expenditure incurred on 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,

(**a**) 2001 c.2; section 104AA was inserted by section 30 and paragraph 8 of Schedule 11 to the Finance Act 2009 (c.10) ("FA 2009").

(**b**) SI 2016/984.

section 49(1A) (car hire: supplementary) of the Income Tax (Trading and Other Income) Act 2005(**a**) and section 57(1A) (car hire: supplementary) of the Corporation Tax Act 2009(**b**) apply as if the amendment made by article 5 did not have effect.

(2) "The relevant date" means—

(a) in the case of income tax, 6th April 2018, and

(b) in the case of corporation tax, 1st April 2018.".

Heather Wheeler
Andrew Griffiths

12th July 2017 — Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Capital Allowances Act 2001 (Cars Emissions) Order (S.I. 2016/984) to specify when a change in the capital allowances main rate threshold for low emissions cars will apply for the purposes of the car lease rental restriction for income tax and corporation tax.

Article 5 of S.I. 2016/984 amended section 104AA(4) of the Capital Allowances Act 2001 (c.2) ("CAA 2001"). That section sets out the conditions to qualify for main rate allowances in respect of cars with low carbon dioxide emissions, and the amendment in article 5 reduced the qualifying emissions threshold from 130 grams to 110 grams per kilometre driven, in relation to expenditure incurred on or after 1st April 2018.

Section 48 of the Income Tax (Trading and Other Income) Act 2005 (c.5) ("ITTOIA 2005") and section 56 of the Corporation Tax Act 2009 (c.4) ("CTA 2009") restrict by 15% the deduction available in calculating trade profits for car hire costs for certain cars, including cars which are not "a car with low CO2 emissions". This is known as the lease rental restriction.

The expression "a car with low CO2 emissions" is defined in section 49(1A) ITTOIA 2005 for income tax and section 57(1A) CTA 2009 for corporation tax as having the same meaning as in section 104AA CAA 2001. The emissions threshold in section 104AA(4) CAA 2001 forms part of this definition, and therefore the amendment to the threshold in S.I. 2016/984 impacts on the availability of deductions which are not subject to the lease rental restriction.

Articles 2(2) and (3) of this Order amend article 2 of S.I. 2016/984 to provide that it is subject to new article 7, and article 2(4) adds a new article 7 with a savings provision in relation to the change of threshold for the main rate of capital allowances. New article 7 provides that section 49(1A) ITTOIA 2005 and section 57(1A) CTA 2009 shall be read as if the change made by SI 2016/984 to the emissions threshold in section 104AA(4) CAA 2001 did not have effect for expenditure incurred on the hiring of a car for a period of hire beginning and under a contract entered into before 1st April 2018 for corporation tax purposes or 6th April 2018 for income tax purposes.

A Tax Information and Impact Note covering this instrument was published on 2nd November 2016 on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.

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(**a**) 2005 c.5; section 49(1A) was inserted by section 30 and paragraph 37 of Schedule 11 to FA 2009.
(**b**) 2009 c.4; section 57(1A) was inserted by section 30 and paragraph 48 of Schedule 11 to FA 2009.

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