



# Finance Act 2001

## 2001 CHAPTER 9

### PART 3

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 2

#### OTHER PROVISIONS

#### *Employment*

#### **57 Mileage allowances: exemptions and relief**

- (1) In Chapter 4 of Part 5 of the Taxes Act 1988 (provisions relating to the Schedule E charge: other exemptions and reliefs), after section 197AC insert—

#### *“ Mileage allowances*

#### **197AD Mileage allowance payments**

- (1) There is no charge to tax under Schedule E in respect of approved mileage allowance payments for a qualifying vehicle.
- (2) Mileage allowance payments are amounts (other than passenger payments within the meaning of section 197AE(2)) paid to an employee in respect of expenses in connection with the use by him for business travel of a qualifying vehicle.
- (3) Mileage allowance payments are approved only if, or to the extent that, for a tax year, the total amount of all the mileage allowance payments made to the employee for the kind of vehicle in question does not exceed the approved amount for mileage allowance payments applicable to that kind of vehicle.

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- (4) Subsection (1) above does not apply if—
- (a) the employee is a passenger in the vehicle, or
  - (b) the vehicle is a company vehicle.

#### **197AE Passenger payments**

- (1) There is no charge to tax under Schedule E in respect of approved passenger payments made to an employee for a car or van (whether or not it is a company vehicle) if—
- (a) mileage allowance payments (within the meaning of section 197AD(2)) are made to the employee for the car or van, and
  - (b) if the car or van is made available to the employee by reason of his employment, he is chargeable to tax in respect of it under section 157 or 159AA (cars and vans made available for private use).
- (2) Passenger payments are amounts paid to an employee because, while using a car or van for business travel, he carries one or more qualifying passengers in it.
- “Qualifying passenger” means a passenger who is also an employee for whom the travel is business travel.
- (3) Passenger payments are approved only if, or to the extent that, for a tax year, the total amount of all the passenger payments made to the employee does not exceed the approved amount for passenger payments.
- (4) Section 168(6) (when cars and vans are made available by reason of employment) applies for the purposes of subsection (1)(b) above.

#### **197AF Mileage allowance relief**

- (1) An employee is entitled to mileage allowance relief for a tax year if the employee uses a qualifying vehicle for business travel and—
- (a) no mileage allowance payments are made to him for the kind of vehicle in question for the tax year, or
  - (b) the total amount of all the mileage allowance payments made to him for the kind of vehicle in question for the tax year is less than the approved amount for mileage allowance payments applicable to that kind of vehicle.
- (2) Subsection (1) above does not apply if—
- (a) the employee is a passenger in the vehicle, or
  - (b) the vehicle is a company vehicle.
- (3) The amount of mileage allowance relief to which an employee is entitled for a tax year is—
- (a) if subsection (1)(a) above applies, the approved amount for mileage allowance payments applicable to the kind of vehicle in question;
  - (b) if subsection (1)(b) above applies, the difference between the total amount of all the mileage allowance payments made to the employee for the kind of vehicle in question and the approved amount for mileage allowance payments applicable to that kind of vehicle.

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- (4) In this section “mileage allowance payments” has the meaning given by section 197AD(2).

### **197AG Giving effect to mileage allowance relief**

- (1) Mileage allowance relief to which an employee is entitled for a tax year is given effect as follows.
- (2) Where any emoluments of the employment fall within Case I or II of Schedule E, the relief is allowed as a deduction from those emoluments in calculating the amount chargeable to tax for that tax year.
- (3) In the case of emoluments chargeable under Case III of Schedule E for a tax year there may be deducted from those emoluments the amount of any mileage allowance relief—
- (a) for that tax year, and
  - (b) for any earlier tax year in which the employee was resident in the United Kingdom,
- which might have been deducted from the emoluments of the employment for the tax year for which the employee is entitled to the relief if those emoluments had been chargeable under Case I of Schedule E.
- (4) Subsection (3) above applies only to the extent that the mileage allowance relief cannot be deducted under subsection (2) above.
- (5) A deduction shall not be made twice, whether under subsection (2) or (3) above, in respect of the same mileage allowance relief.

### **197AH Interpretation of sections 197AD to 197AG**

Schedule 12AA to this Act defines terms used in sections 197AD to 197AG.”.

- (2) In the Taxes Act 1988 insert as Schedule 12AA the Schedule set out in Part 1 of Schedule 12 to this Act.
- (3) The consequential amendments in Part 2 of Schedule 12 to this Act have effect.
- (4) This section has effect for the year 2002-03 and subsequent years of assessment.

## **58 Mileage allowances: nil liability notices**

- (1) This section applies if—
- (a) mileage allowance payments are made to an employee or office-holder in respect of the use of a vehicle that is not a company vehicle, or
  - (b) mileage allowance relief is available in respect of the use by an employee or office-holder of a vehicle.
- (2) A nil liability notice in force immediately before 6th April 2002 shall cease to have effect in relation to—
- (a) payments made, or
  - (b) benefits, facilities, non-cash vouchers, credit-tokens or cash vouchers provided,

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in respect of expenses incurred in connection with the use of the vehicle by the employee or office-holder for business travel.

- (3) In subsection (2) “nil liability notice” means a notice under—
- (a) section 144(1) of the Taxes Act 1988 (notice of nil liability in respect of non-cash vouchers, credit-tokens or cash vouchers), or
  - (b) section 166(1) of that Act (notice of nil liability in respect of payments, benefits or facilities).
- (4) In this section—
- “business travel” has the meaning given by paragraph 2 of Schedule 12AA to the Taxes Act 1988;
  - “company vehicle” has the meaning given by paragraph 6 of Schedule 12AA to that Act; and
  - “mileage allowance payments” has the meaning given by section 197AD(2) of that Act.

## 59 Employees’ vehicles: withdrawal of capital allowances

- (1) In Chapter 3 of Part 2 of the Capital Allowances Act 2001 (c. 2) (plant and machinery: qualifying expenditure), for section 36 (restriction on qualifying expenditure in case of employment or office) substitute—

### **“36 Restriction on qualifying expenditure in case of employment or office**

- (1) Where the qualifying activity consists of an employment or office—
- (a) expenditure on the provision of a mechanically propelled road vehicle, or a cycle, is not qualifying expenditure, and
  - (b) other expenditure is qualifying expenditure only if the plant or machinery is necessarily provided for use in the performance of the duties of the employment or office.
- (2) In this section “cycle” has the meaning given by section 192(1) of the Road Traffic Act 1988.”.
- (2) Section 80 of that Act (vehicles provided for purposes of employment or office) is repealed.
- (3) The above amendments apply to expenditure incurred on or after 6th April 2002.
- (4) Where immediately before 6th April 2002—
- (a) expenditure incurred by an employee on the provision of a mechanically propelled road vehicle, or a cycle, was qualifying expenditure for the purposes of Part 2 of the Capital Allowances Act 2001 (c. 2) , and
  - (b) the employee is treated for the purposes of that Part as owning an asset as a result of that expenditure having been incurred,
- the employee shall be treated for the purposes of that Part of that Act as if he had ceased to own the asset at that time.
- (5) In subsection (4)—
- “employee” includes an office-holder; and

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“cycle” has the meaning given by section 192(1) of the Road Traffic Act 1988 (c. 52).

## **60 Exemption for works bus services: extension to minibuses**

- (1) Section 197AA of the Taxes Act 1988 (works bus services: exemption from charge on benefits) is amended as follows.
- (2) In subsection (1) (which confers the exemption), after “section 154 (taxable benefits: general charging provision)” insert “, or under section 157 (charge on provision of car for private use), ”.
- (3) In subsection (2) (meaning of works bus service), after “by means of a bus” insert “, or a minibus, ”.
- (4) In subsection (3) after the definition of “bus” insert—

““minibus” means a vehicle constructed or adapted for the carriage of passengers which has a seating capacity of 9 or more, but less than 12;”.
- (5) In subsection (6) after “154” insert “ or 157 ”.
- (6) After subsection (8) (determination of seating capacity) insert—

“(9) In determining whether a vehicle is a minibus for the purposes of this section, no account shall be taken of seats in relation to which relevant construction and use requirements are not met.

In this subsection “construction and use requirements” has the same meaning as in Part 2 of the Road Traffic Act 1988 or, in Northern Ireland, Part III of the Road Traffic (Northern Ireland) Order 1995.”.
- (7) This section has effect for the year 2002-03 and subsequent years of assessment.

## **61 Employee share ownership plans**

The provisions relating to employee share ownership plans are amended in accordance with Schedule 13 to this Act.

**Status:**

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**Changes to legislation:**

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