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SCHEDULES

SCHEDULE 11

Section 30

TAX RELIEF FOR BUSINESS EXPENDITURE ON CARS AND MOTOR CYCLES

PART 1

CAPITAL ALLOWANCES

Plant and machinery allowances for cars and motor cycles

- 1 Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.
- 2 In section 38B (general exclusions from AIA qualifying expenditure), in general
exclusion 2, for “81” substitute “ 268A ”.
- 3 In section 46(2) (general exclusions from first year allowances), in general
exclusion 2, for “81” substitute “ 268A ”.
- 4 Omit sections 74 to 79 (cars above the cost threshold).
- 5 Omit section 81 (extended meaning of “car”) and section 82 (qualifying hire cars).
- 6 In section 84 (cases in which short-life asset treatment is ruled out), in the Table, in
item 3, in the first column, for “81” substitute “ 268A ”.
- 7 (1) Section 104A (special rate expenditure) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a), after “the” insert “ first ”,
 - (b) omit “and” at the end of paragraph (c), and
 - (c) insert at the end “, and
 - (e) expenditure incurred on or after the second relevant date on
the provision of a car that is not a main rate car.”
- (3) In subsection (2), after “The” insert “ first ”.
- (4) After that subsection insert—
- “(3) The second relevant date is—
- (a) for corporation tax purposes, 1 April 2009, and
 - (b) for income tax purposes, 6 April 2009.
- (4) In this section—
- “car” has the meaning given in section 268A;
 - “main rate car” has the meaning given in section 104AA.”
- 8 After that section insert—

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“104AA Meaning of “main rate car”

- (1) “Main rate car” means—
 - (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions, or
 - (c) a car that is electrically-propelled.
- (2) For the purposes of this section a car has low CO₂ emissions if it meets conditions A and B.
- (3) Condition A is that, when the car is first registered, it is so registered on the basis of a qualifying emissions certificate.
- (4) Condition B is that the applicable CO₂ emissions figure in relation to the car does not exceed 160 grams per kilometre driven.
- (5) The Treasury may by order amend the amount from time to time specified in subsection (4).
- (6) An order under subsection (5) may contain transitional provision and savings.
- (7) In this section—

“applicable CO₂ emissions figure” and “qualifying emissions certificate” have the meanings given in section 268C;

“car” has the meaning given in section 268A;

“electrically-propelled” has the meaning given in section 268B.”

9 After section 104E insert—

“104F Special rate cars: discontinued activity continued by relevant company

- (1) This section applies if—
 - (a) a company (“the taxpayer”) has incurred special rate expenditure within section 104A(1)(e) (expenditure on a car other than a main rate car) to which section 104C applies (allocation to special rate pool),
 - (b) the qualifying activity carried on by the taxpayer is permanently discontinued, and
 - (c) conditions A, B and C are met.
- (2) Condition A is that the qualifying activity carried on by the taxpayer consisted of or included (other than incidentally) making cars available to other persons.
- (3) Condition B is that, at any time in the 6 months after the taxpayer's qualifying activity is permanently discontinued, the qualifying activity of a group relief company consists of or includes (other than incidentally) making cars available to other persons.
- (4) Condition C is that the balancing allowance (“SBA”) to which the taxpayer would be entitled (but for this section) in respect of the special rate pool is greater than—

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BC – OBA

where—

BC is the total of the balancing charges (if any) to which the taxpayer is liable for the final chargeable period in respect of any pool, and

OBA is the total of the balancing allowances to which the taxpayer is entitled for that period in respect of any pool other than the special rate pool.

For the purposes of this section if BC – OBA is a negative amount it is to be treated as if it were nil.

- (5) The balancing allowance to which the taxpayer is entitled in respect of the special rate pool is reduced to an amount equal to BC — OBA.
- (6) The relevant company is to be treated as having incurred qualifying expenditure within section 104A(1)(e) (“notional expenditure”), whether or not the relevant company owns cars previously owned by the taxpayer.
- (7) The amount of the notional expenditure is an amount equal to the amount by which SBA exceeds BC — OBA.
- (8) The relevant company is to be treated as having incurred the notional expenditure on the day after the end of the taxpayer's final chargeable period.
- (9) If part of the chargeable period in which the relevant company is treated as incurring expenditure under this section (“the acquisition period”) overlaps with the taxpayer's penultimate chargeable period—
 - (a) the part of the expenditure which is proportional to that part of the acquisition period is not to be taken into account in determining the relevant company's available qualifying expenditure for the acquisition period, but
 - (b) this does not prevent that part of the expenditure being taken into account in determining the relevant company's available qualifying expenditure for any subsequent chargeable period.
- (10) In this section—
 - “car” has the meaning given in section 268A;
 - “company” means any body corporate;
 - “group relief company” means—
 - (a) a company to which group relief under Chapter 4 of Part 10 of ICTA would be available (on the making of a claim) in respect of balancing allowances surrendered by the taxpayer in the taxpayer's final chargeable period, and
 - (b) a company to which such relief would be available (on the making of a claim) in respect of balancing allowances surrendered by a company within paragraph (a);
 - “main rate car” has the meaning given in section 104AA;
 - “penultimate chargeable period” means the chargeable period preceding the final chargeable period;
 - “the relevant company” means the group relief company mentioned in subsection (3) or, if there is more than one, the one—

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- (a) nominated by the taxpayer not more than 6 months after the end of the taxpayer's final chargeable period, or
- (b) in the absence of such a nomination, nominated by Her Majesty's Revenue and Customs.”

10 After section 208 insert—

“208A Cars: disposal value in avoidance cases

- (1) This section applies if—
 - (a) a disposal value is required to be brought into account under section 61,
 - (b) the disposal event is that the person ceases to own a section 206 car because of a sale or the performance of a contract, and
 - (c) allowances under this Part in respect of the person's expenditure under that transaction are restricted under section 217 or 218 (anti-avoidance).
- (2) A car is a section 206 car if expenditure on the provision of the car is required to be allocated to a single asset pool under that section.
- (3) The disposal value to be brought into account is—
 - (a) the market value of the car at the time of the disposal event, or
 - (b) if less, the capital expenditure incurred, or treated as incurred, on the provision of the car by the person disposing of it.
- (4) The person acquiring the car is to be treated as having incurred capital expenditure on its provision of an amount equal to the disposal value required to be brought into account under subsection (3).
- (5) In this section “car” has the meaning given in section 268A.”

11 After section 268 insert—

“Cars etc

268A Meaning of “car” and “motor cycle”

- (1) In this Part “car” means a mechanically propelled road vehicle other than—
 - (a) a motor cycle,
 - (b) a vehicle of a construction primarily suited for the conveyance of goods or burden of any description, or
 - (c) a vehicle of a type not commonly used as a private vehicle and unsuitable for such use.
- (2) In this Part “motor cycle” has the meaning given by section 185(1) of the Road Traffic Act 1988.

268B Electrically-propelled vehicles

For the purposes of this Part a vehicle is electrically-propelled only if—

- (a) it is propelled solely by electrical power, and
- (b) that power is derived from—

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- (i) a source external to the vehicle, or
- (ii) an electrical storage battery which is not connected to any source of power when the vehicle is in motion.

268C Terms relating to emissions

- (1) In this Part “qualifying emissions certificate”, in relation to a vehicle, means an EC certificate of conformity, or a UK approval certificate, that specifies—
 - (a) in the case of a vehicle other than a bi-fuel vehicle, a CO₂ emissions figure in terms of grams per kilometre driven, or
 - (b) in the case of a bi-fuel vehicle, separate CO₂ emissions figures in terms of grams per kilometre driven for different fuels.
- (2) For the purposes of this Part, in relation to a vehicle other than a bi-fuel vehicle, the applicable CO₂ emissions figure is—
 - (a) where the qualifying emissions certificate specifies only one CO₂ emissions figure, that figure, and
 - (b) where the certificate specifies more than one CO₂ emissions figure, the figure specified as the CO₂ emissions (combined) figure.
- (3) For the purposes of this Part, in relation to a bi-fuel vehicle, the applicable CO₂ emissions figure is—
 - (a) where the qualifying emissions certificate specifies more than one CO₂ emissions figure in relation to each fuel, the lowest CO₂ emissions (combined) figure specified, and
 - (b) in any other case, the lowest CO₂ figure specified by the certificate.
- (4) In this section—
 - “bi-fuel”, in relation to a vehicle, means capable of being propelled by—
 - (a) petrol and road fuel gas, or
 - (b) diesel and road fuel gas;
 - “diesel” means any diesel fuel within the definition in Article 2 of Directive [98/70/EC](#) of the European Parliament and of the Council;
 - “EC certificate of conformity” means a certificate of conformity issued by a manufacturer under any provision of the law of a member State implementing Article 6 of Council Directive [70/156/EEC](#), as amended;
 - “petrol” has the meaning given by Article 2 of Directive [98/70/EC](#) of the European Parliament and of the Council;
 - “road fuel gas” has the same meaning as in section 171(1) of ITEPA 2003;
 - “UK approval certificate” means a certificate issued under—
 - (a) section 58(1) or (4) of the Road Traffic Act 1988, or
 - (b) Article 31A(4) or (5) of the Road Traffic (Northern Ireland) Order 1981 (S.I. 1981/154 (N.I. 1)).”

Consequential amendments of CAA 2001

12 CAA 2001 is amended as follows.

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- 13 In section 33 (personal security), omit subsection (7).
- 14 (1) Section 45D (expenditure on cars with low carbon dioxide emissions) is amended as follows.
- (2) In subsection (1), for paragraph (c) substitute—
- “(c) the car—
- (i) is electrically-propelled, or
- (ii) has low CO₂ emissions, and”.
- (3) In subsection (2), for “a car with low CO₂ emissions is a car which” substitute “a car has low CO₂ emissions if it”.
- (4) In subsection (3), for the words from “an EC certificate” to the end substitute “a qualifying emissions certificate.”
- (5) In subsection (4), for “in the case of” substitute “in relation to”.
- (6) Omit subsections (5) and (6).
- (7) In subsection (8)—
- (a) after “car” insert “is to a car within the meaning of section 268A, except that it”, and
- (b) omit paragraph (b) (and the “but” before it).
- (8) Omit subsections (9) and (10).
- (9) After subsection (10) insert—
- “(11) In this section—
- “applicable CO₂ emissions figure” and “qualifying emissions certificate” have the meanings given in section 268C;
- “electrically-propelled” has the meaning given in section 268B.”
- 15 In section 54(3) (single asset pools), omit “section 74 (car above the cost threshold)”.
- 16 In section 55(6) (determination of entitlement or liability), after “subject to” insert “section 104F (special rate cars: discontinued activity continued by relevant company) and”.
- 17 In section 65(3) (the final chargeable period), for “sections 77(1) and” substitute “section”.
- 18 In section 66 (list of provisions about disposal values)—
- (a) omit the entry in the list relating to section 79, and
- (b) insert at the appropriate place—
-
- “section 208A
- cars: disposal value in avoidance cases”.
-
- 19 (1) In section 84 (cases in which short-life asset treatment is ruled out), the Table is amended as follows.
- (2) In item 3, for the words in the second column substitute “The car is a hire car for a disabled person (as defined by section 268D).”

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- (3) In item 4, in the second column, insert “The expenditure is incurred on the provision of a car which is a hire car for a disabled person (as defined by section 268D)”.
- (4) In item 5, in the second column, for “within section 82(4) (cars hired out to persons receiving disability allowances etc)” substitute “ a hire car for a disabled person (as defined by section 268D) ”.
- 20 (1) Section 86 (short-life assets) is amended as follows.
- (2) In subsection (2)(b), for “main pool” substitute “ appropriate pool ”.
- (3) After subsection (4) insert—
- “(5) In subsection (2)(b) “appropriate pool” means—
- (a) in the case of expenditure incurred on the provision of a car that is not a main rate car (as defined by section 104AA), the special rate pool, and
- (b) in any other case, the main pool.”
- 21 In section 96 (expenditure on cars excluded from being long-life asset expenditure), for “car (as defined by section 81)” substitute “ car or motor cycle (as defined by section 268A) ”.
- 22 After section 268C (inserted by this Part of this Schedule) insert—

“268D Hire cars for disabled persons

- (1) For the purposes of this Part a car is a hire car for a disabled person if it is provided wholly or mainly for hire to, or the carriage of, disabled persons in the ordinary course of a trade.
- (2) “Disabled person” means a person in receipt of—
- (a) a disability living allowance under—
- (i) the Social Security Contributions and Benefits Act 1992, or
- (ii) the Social Security Contributions and Benefits (Northern Ireland) Act 1992,
- because of entitlement to the mobility component,
- (b) a mobility supplement under a scheme made under the Personal Injuries (Emergency Provisions) Act 1939,
- (c) a mobility supplement under an Order in Council made under section 12 of the Social Security (Miscellaneous Provisions) Act 1977, or
- (d) a payment that appears to the Treasury to be similar to those mentioned in paragraphs (a) to (c) and that is specified by order made by the Treasury.”
- 23 (1) Part 2 of Schedule 1 (defined expressions) is amended as follows.
- (2) In the entry relating to “car (in Part 2)”, for “section 81” substitute “ section 268A ”.
- (3) Insert at the appropriate places—

“applicable CO₂ emissions figure (in Part 2) section 268C”

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“electrically-propelled (in Part 2) section 268B”

“hire car for a disabled person (in Part 2) section 268D”

“motor cycle (in Part 2) section 268A”

“qualifying emissions certificate (in Part 2) section 268C”.

- 24 In Schedule 3 (transitionals and savings), omit paragraph 19 (cars above the cost threshold) and the headings immediately before it.

Consequential repeal

- 25 In consequence of the amendments made by this Part of this Schedule, in FA 2002, in Schedule 19, omit paragraph 6.

Commencement and transitionals: introduction

- 26 For the purposes of this Part of this Schedule—
- (a) the first relevant date is—
 - (i) for corporation tax purposes, 1 April 2009, and
 - (ii) for income tax purposes, 6 April 2009,
 - (b) the second relevant date is—
 - (i) for corporation tax purposes, 1 August 2009, and
 - (ii) for income tax purposes, 6 August 2009, and
 - (c) the third relevant date is—
 - (i) for corporation tax purposes, 1 April 2014, and
 - (ii) for income tax purposes, 6 April 2014.
- 27 (1) For the purposes of this Part of this Schedule “new expenditure” means—
- (a) expenditure incurred on or after the first relevant date, and
 - (b) expenditure incurred before that date to which sub-paragraph (2) applies, and expenditure that is not new expenditure is “old expenditure”.
- (2) This sub-paragraph applies to expenditure if—
- (a) it is incurred under an agreement for the provision of a car entered into after 8 December 2008, and
 - (b) under that agreement the car is not required to be made available before the second relevant date.
- (3) For the purposes of sub-paragraph (2) an agreement is entered into on the date on which the following conditions are met—
- (a) there is a contract in writing for the provision of the car,
 - (b) the contract is unconditional or, if it is conditional, the conditions have been met, and
 - (c) no terms remain to be agreed.

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Commencement

- 28 (1) The amendments made by this Part of this Schedule have effect in relation to new expenditure (subject to sub-paragraph (2)).
- (2) The repeal of section 79 of CAA 2001 and the amendments made by paragraphs 10 and 18 have effect in cases in which a person ceases to own a car or motor cycle if the expenditure incurred on the provision of the car or motor cycle is new expenditure.
- 29 (1) The repeal of sections 74 to 78 of CAA 2001 and the amendments made by paragraphs 15 and 17 have effect in relation to old expenditure, but only for chargeable periods beginning on or after the third relevant date.
- (2) The repeal of section 79 of CAA 2001 and the amendment made by paragraph 18(a) have effect in cases in which a person ceases to own a car or motor cycle if the expenditure incurred on the provision of the car or motor cycle is old expenditure, but only for chargeable periods beginning on or after the third relevant date.

Transitionals

- 30 (1) This paragraph applies where expenditure incurred by a person on the provision of a car or motor cycle includes both new expenditure and old expenditure.
- (2) The new expenditure and the old expenditure are to be treated as if they were incurred on the provision of separate (but identical) cars or motor cycles.
- (3) Any amount required to be brought into account in connection with a disposal event in respect of the car or motor cycle mentioned in sub-paragraph (1) is to be apportioned on a just and reasonable basis.
- 31 (1) This paragraph applies where—
- (a) old expenditure is required to be allocated to a single asset pool by section 74 of CAA 2001,
 - (b) there is unrelieved expenditure in that pool at the end of a transitional chargeable period, and
 - (c) the unrelieved expenditure is not required to be allocated to a single asset pool by any other provision of Part 2 of that Act.
- (2) The unrelieved expenditure must be carried forward to the main pool.
- (3) A “transitional chargeable period” is one that begins before the third relevant date and ends on or after the day before the third relevant date.
- 32 An order made under section 82(4)(d) of CAA 2001 (qualifying hire cars for disabled persons) before the day on which this Act is passed (and not revoked before that day) has effect as if it had also been made under section 268D(2)(d) of that Act (hire cars for disabled persons) (inserted by this Part of this Schedule).

Interpretation

- 33 In this Part of this Schedule—
- (a) “car” and “motor cycle” have the meaning given in section 268A of CAA 2001 (inserted by paragraph 11), and
 - (b) other expressions used in this Part of this Schedule and in Part 2 of CAA 2001 have the same meaning here as in that Part of that Act.

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PART 2

RESTRICTIONS ON DEDUCTIONS FOR HIRE EXPENSES

Income tax

- 34 ITTOIA 2005 is amended as follows.
- 35 In section 31(1)(b) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 36 (1) Section 48 (rules restricting deductions from profits: car or motor cycle hire) is amended as follows.
- (2) In subsection (1), for the words from “or motor cycle”, in the first place, to the end substitute “which is not—
- (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions,
 - (c) a car that is electrically propelled, or
 - (d) a qualifying hire car.”
- (3) In subsection (2), for the words from “multiplying” to the end substitute “ 15% ”.
- (4) In subsection (4), for “multiplying it by the fraction in subsection (2)” substitute “ 15% ”.
- (5) In subsection (4A)(a), (b) and (c), omit “or motor cycle”.
- (6) Omit subsection (5).
- (7) In the heading, omit “or motor cycle”.
- 37 (1) Section 49 (car or motor cycle hire: supplementary) is amended as follows.
- (2) In subsection (1)—
- (a) omit “or motor cycle”,
 - (b) omit “one”,
 - (c) before paragraph (a) insert—
 - “(za) a motor cycle (within the meaning of section 185(1) of the Road Traffic Act 1988),” and
 - (d) in paragraphs (a) and (b), insert at the beginning “a vehicle”.
- (3) After that subsection insert—
- “(1A) In section 48—
- “a car that has low CO₂ emissions” has the same meaning as in section 104AA of CAA 2001 (special rate expenditure: main rate car);
- “electrically propelled” has the meaning given in section 268B of that Act.”
- (4) In subsection (2)—
- (a) omit “or motor cycle” (in each place),
 - (b) omit paragraph (c), and
 - (c) insert at the end—

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“(d) is leased under a long-funding lease (within the meaning of section 70G of CAA 2001).”

(5) In subsection (6), omit “and section 48”.

(6) In the heading, omit “or motor cycle”.

38 Omit section 50 (hiring cars with low carbon dioxide emissions).

39 After that section insert—

“50A Short-term hiring in and long-term hiring out

(1) Section 48 does not apply to expenses incurred by a person (“the taxpayer”) on the hiring of a car if condition A or B is met.

(2) Condition A is that—

- (a) the expenses are incurred in respect of the making available of the car to the taxpayer for a period (“the hire period”) of not more than 45 consecutive days, and
- (b) if the car is made available to the taxpayer (whether by the same person or different persons) for one or more periods linked to the hire period, the hire period and the linked period or periods, taken together, consist of not more than 45 days.

(3) Condition B is that the expenses are incurred in respect of a period (“the sub-hire period”) throughout which the taxpayer makes the car available to another person (“the customer”) and—

- (a) the sub-hire period consists of more than 45 consecutive days, or
- (b) if the taxpayer makes the car available to the customer throughout one or more periods linked to the sub-hire period, the sub-hire period and the linked period or periods, taken together, consist of more than 45 days,

but see subsection (4).

(4) Condition B is not met if—

- (a) the customer is an employee of the taxpayer or of a person connected with the taxpayer, or
- (b) during all or part of the sub-hire period (or any period linked to the sub-hire period), the customer makes any car available to an employee of the taxpayer under arrangements with the taxpayer or with a person connected with the taxpayer.

(5) Neither condition A nor condition B is met if the car is hired under arrangements the purpose, or one of the main purposes, of which is—

- (a) to disapply or reduce the effect of section 48, or
- (b) other avoidance of tax.

(6) For the purposes of condition B the expenses incurred by the taxpayer on the hiring of the car must be apportioned between—

- (a) the sub-hire period, and
- (b) the remainder of the period during which the car is made available to the taxpayer,

according to the respective lengths of those periods.

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- (7) A period of consecutive days (“the main period”) is linked to—
- (a) a period of consecutive days that ends not more than 14 days before the main period begins,
 - (b) a period of consecutive days that begins not more than 14 days after the main period ends, and
 - (c) a period of consecutive days linked to a period in paragraph (a) or (b).
- (8) For the purposes of this section, where arrangements for the hiring of a car include arrangements for the provision of a replacement car in the event that the first car is not available, the first car and any replacement car are to be treated as if they were the same car.
- (9) In this section (and section 50B) “arrangements” includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable and whether involving a single transaction or two or more transactions.

50B Connected persons: application of section 48

- (1) This section applies where connected persons incur expenses on the hiring of the same car for the same period and—
- (a) section 48 would (but for this section) apply to the expenses of two or more of those persons, or
 - (b) section 48 and section 56 of CTA 2009 would (but for this section and section 58B of that Act) each apply to the expenses of at least one of those persons.
- (2) This section only applies where one or more of the persons mentioned in subsection (1)(a) or (b) incurs the expenses under commercial arrangements (and such a person is referred to below as a “commercial lessee”).
- (3) In relation to the expenses mentioned in subsection (1) to which section 48 would (but for this section) apply, section 48 only applies to the following—
- (a) where there is one commercial lessee, any such expenses incurred by that lessee, and
 - (b) where there is more than one, any such expenses incurred by the first commercial lessee in the chain of arrangements for the hiring of the car for the period.
- (4) In this section—
- (a) references to expenses incurred by a commercial lessee include expenses incurred in that or any other capacity, and
 - (b) “commercial arrangements” means arrangements the terms of which are such as would reasonably have been expected if the parties to the arrangements had been dealing at arm's length.”

40 In section 247(1) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.

41 In section 272(2) (profits of a property business: application of trading income rules), in the entry in the Table relating to sections 48 to 50—

- (a) for “50” substitute “ 50B ”, and
- (b) omit “or motor cycle”.

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- 42 In section 274(1)(b) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 43 In section 354(2) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.
- 44 In Schedule 2 (transitionals and savings), omit paragraphs 16 and 17 (and the heading before them).

Corporation tax

- 45 CTA 2009 is amended as follows.
- 46 In section 51(1)(b)(i) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 47 (1) Section 56 (rules restricting deductions from profits: car or motor cycle hire) is amended as follows.
- (2) In subsection (1), for the words from “or motor cycle”, in the first place, to the end substitute “which is not—
- (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions,
 - (c) a car that is electrically propelled, or
 - (d) a qualifying hire car.”
- (3) In subsection (2), for the words from “multiplying” to the end substitute “ 15% ”.
- (4) In subsection (4), for “multiplying it by the fraction in subsection (2)” substitute “ 15% ”.
- (5) In subsection (5)(a), (b) and (c), omit “or motor cycle”.
- (6) Omit subsection (6).
- (7) In the heading, omit “or motor cycle”.
- 48 (1) Section 57 (car or motor cycle hire: supplementary) is amended as follows.
- (2) In subsection (1)—
- (a) omit “or motor cycle”,
 - (b) omit “one”,
 - (c) before paragraph (a) insert—
 - “(za) a motor cycle (within the meaning of section 185(1) of the Road Traffic Act 1988),” and
 - (d) in paragraphs (a) and (b), insert at the beginning “a vehicle”.
- (3) After that subsection insert—
- “(1A) In section 56—
 - “a car that has low CO₂ emissions” has the same meaning as in section 104AA of CAA 2001 (special rate expenditure: main rate car);
 - “electrically propelled” has the meaning given in section 268B of that Act.”
- (4) In subsection (2)—

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- (a) omit “or motor cycle” (in each place),
- (b) omit paragraph (c), and
- (c) insert at the end—

“(d) is leased under a long-funding lease (within the meaning of section 70G of CAA 2001).”

- (5) In subsection (6), omit “and section 56”.
 - (6) In the heading, omit “or motor cycle”.
- 49 Omit section 58 (hiring cars with low CO₂ emissions before 1 April 2013).
- 50 After section 58 insert—

“58A Short-term hiring in and long-term hiring out

- (1) Section 56 does not apply to expenses incurred by a company (“the taxpayer”) on the hiring of a car if condition A or B is met.
- (2) Condition A is that—
 - (a) the expenses are incurred in respect of the making available of the car to the taxpayer for a period (“the hire period”) of not more than 45 consecutive days, and
 - (b) if the car is made available to the taxpayer (whether by the same person or different persons) for one or more periods linked to the hire period, the hire period and the linked period or periods, taken together, consist of not more than 45 days.
- (3) Condition B is that the expenses are incurred in respect of a period (“the sub-hire period”) throughout which the taxpayer makes the car available to another person (“the customer”) and—
 - (a) the sub-hire period consists of more than 45 consecutive days, or
 - (b) if the taxpayer makes the car available to the customer throughout one or more periods linked to the sub-hire period, the sub-hire period and the linked period or periods, taken together, consist of more than 45 days,
 but see subsection (4).
- (4) Condition B is not met if—
 - (a) the customer is an employee or officer of the taxpayer or of a person connected with the taxpayer, or
 - (b) during all or part of the sub-hire period (or any period linked to the sub-hire period), the customer makes any car available to an employee or officer of the taxpayer under arrangements with the taxpayer or with a person connected with the taxpayer.
- (5) Neither condition A nor condition B is met if the car is hired under arrangements the purpose, or one of the main purposes, of which is—
 - (a) to disapply or reduce the effect of section 56, or
 - (b) other avoidance of tax.
- (6) For the purposes of condition B the expenses incurred by the taxpayer on the hiring of the car must be apportioned between—
 - (a) the sub-hire period, and

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- (b) the remainder of the period during which the car is made available to the taxpayer,
according to the respective lengths of those periods.
- (7) A period of consecutive days (“the main period”) is linked to—
 - (a) a period of consecutive days that ends not more than 14 days before the main period begins,
 - (b) a period of consecutive days that begins not more than 14 days after the main period ends, and
 - (c) a period of consecutive days linked to a period in paragraph (a) or (b).
- (8) For the purposes of this section, where arrangements for the hiring of a car include arrangements for the provision of a replacement car in the event that the first car is not available, the first car and any replacement car are to be treated as if they were the same car.
- (9) In this section (and section 58B) “arrangements” includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable and whether involving a single transaction or two or more transactions.

58B Connected persons: application of section 56

- (1) This section applies where connected persons incur expenses on the hiring of the same car for the same period and—
 - (a) section 56 would (but for this section) apply to the expenses of two or more of those persons, or
 - (b) section 56 and section 48 of ITTOIA 2005 would (but for this section and section 50B of that Act) each apply to the expenses of at least one of those persons.
- (2) This section only applies where one or more of the persons mentioned in subsection (1)(a) or (b) incurs the expenses under commercial arrangements (and such a person is referred to below as a “commercial lessee”).
- (3) In relation to the expenses mentioned in subsection (1) to which section 56 would (but for this section) apply, section 56 only applies to the following—
 - (a) where there is one commercial lessee, any such expenses incurred by that lessee, and
 - (b) where there is more than one, any such expenses incurred by the first commercial lessee in the chain of arrangements for the hiring of the car for the period.
- (4) In this section—
 - (a) references to expenses incurred by a commercial lessee include expenses incurred in that or any other capacity, and
 - (b) “commercial arrangements” means arrangements the terms of which are such as would reasonably have been expected if the parties to the arrangements had been dealing at arm's length.”

51 In section 191(1) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.

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- 52 In section 210(2) (profits of a property business: application of trading income rules), in the entry in the Table relating to sections 56 to 58—
- (a) for “58” substitute “ 58B ”, and
 - (b) omit “or motor cycle”.
- 53 In section 214(1)(b)(i) (relationship between rules prohibiting and allowing deductions), omit “or motor cycle”.
- 54 In section 283(2) (other rules about what counts as post-cessation receipts), omit “or motor cycle”.
- 55 In section 865(3)(a) (debits for expenditure not generally deductible for tax purposes), omit “or motor cycle”.
- 56 In section 1231(3) (absence of accounts), omit “or motor cycle”.
- 57 (1) Section 1251 (car or motor cycle hire: companies with investment business) is amended as follows.
- (2) In subsection (1), for the words from “or motor cycle”, in the first place, to the end substitute “which is not—
- (a) a car that is first registered before 1 March 2001,
 - (b) a car that has low CO₂ emissions,
 - (c) a car that is electrically propelled, or
 - (d) a qualifying hire car.”
- (3) In subsection (2), for the words from “multiplying” to the end substitute “ 15% ”.
- (4) In subsection (4)(b), for “multiply that amount by the fraction set out in subsection (2) above” substitute “ reduce that amount by 15% ”.
- (5) In subsection (5)(a), (b) and (c), omit “or motor cycle”.
- (6) Omit subsection (6).
- (7) In subsection (7)—
- (a) omit “or motor cycle”, and
 - (b) for “58 (hiring cars with low CO₂ emissions before 1 April 2013)” substitute “ 58A (short-term hiring in and long-term hiring out) ”.
- (8) After that subsection insert—
- “(8) For the purposes of section 58B of this Act and section 50B of ITTOIA 2005 (connected persons: application of restrictions), this section is to be treated as if it were part of section 56 of this Act.”
- (9) In the heading, omit “or motor cycle”.
- 58 In Schedule 2 (transitionals and savings), omit paragraphs 16 and 17 (and the heading before them).
- 59 ICTA is amended as follows.
- 60 (1) Section 76ZN (car or motor cycle hire: expenses of insurance companies) is amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a), omit “or motor cycle”, and

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(b) for paragraphs (b) and (c) substitute—

“(b) the car is not—

- (i) a car that is first registered before 1 March 2001,
- (ii) a car that has low CO₂ emissions (as defined in section 104AA of the Capital Allowances Act),
- (iii) a car that is electrically propelled (as defined in section 268B of that Act), or
- (iv) a qualifying hire car.”

(3) After that subsection insert—

“(1A) Subsection (2) does not apply if condition A or condition B in section 58A of CTA 2009 (short-term hiring in and long-term hiring out) is met.”

(4) In subsection (2), for the words from “multiplying” to the end substitute “ 15% ”.

(5) In subsection (5), for the words from “multiplying” to the end substitute “ 15% ”.

(6) In subsection (6)(a), (b) and (c), omit “or motor cycle”.

(7) Omit subsection (7).

(8) In subsection (8), omit “or motor cycle” (in both places).

(9) After that subsection insert—

“(9) For the purposes of section 50B of ITTOIA 2005 and section 58B of CTA 2009 (connected persons: application of restrictions), this section is to be treated as if it were part of section 56 of CTA 2009.”

61 Omit section 76ZO (hiring cars (but not motor cycles) with low CO₂ emissions before 1 April 2013).

62 (1) Section 578A (rules restricting deductions: car or motor cycle hire) is amended as follows.

(2) In subsection (2), for paragraphs (a) and (b) substitute “which is not—

- (a) a car that is first registered before 1 March 2001,
- (b) a car that has low CO₂ emissions (as defined in section 104AA of the Capital Allowances Act),
- (c) a car that is electrically propelled (as defined in section 268B of that Act), or
- (d) a qualifying hire car.”

(3) Omit subsections (2A) and (2B).

(4) After subsection (2B) insert—

“(2C) This section does not apply to the hiring of a car where condition A or condition B in section 58A of CTA 2009 (short-term hiring in and long-term hiring out) is met.”

(5) In subsection (3), for the words from “multiplying” to the end substitute “ 15% ”.

(6) In subsection (4), for “multiplying it by the fraction in subsection (3) above” substitute “ 15% ”.

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- (7) After that subsection insert—
- “(5) For the purposes of section 50B of ITTOIA 2005 (connected persons: application of restrictions), this section is to be treated as if it were part of section 48 of that Act.”
- 63 (1) Section 578B (expenditure on car or motor cycle hire: supplementary) is amended as follows.
- (2) In subsection (1)—
- (a) omit “one”,
- (b) before paragraph (a) insert—
- “(za) a motor cycle (within the meaning of section 185(1) of the Road Traffic Act 1988),”,
- (c) in paragraphs (a) and (b), insert at the beginning “a vehicle”, and
- (d) omit the words after paragraph (b).
- (3) In subsection (2)—
- (a) omit paragraph (b), and
- (b) insert at the end—
- “(c) it is leased under a long-funding lease (within the meaning of section 70G of the Capital Allowances Act).”
- (4) In subsection (3), omit “section 578A and”.
- (5) Omit subsection (4).

Consequential repeals

- 64 In consequence of the amendments made by this Part of this Schedule, omit—
- (a) in FA 2008, section 77(4)(b), and
- (b) in CTA 2009, in Schedule 1, paragraph 45.

Commencement

- 65 For the purposes of this Part of this Schedule—
- (a) the first relevant date is—
- (i) for corporation tax purposes, 1 April 2009, and
- (ii) for income tax purposes, 6 April 2009, and
- (b) the second relevant date is—
- (i) for corporation tax purposes, 1 April 2010, and
- (ii) for income tax purposes, 6 April 2010, and
- 66 (1) The amendments made by this Part of this Schedule have effect in relation to deductions for expenses incurred on the hiring of a car or motor cycle under an agreement under which the hire period begins on or after the first relevant date (but see paragraph 67).
- (2) For the purposes of this paragraph and paragraph 67, the hire period, in relation to an agreement, begins on the first day on which the car or motor cycle is required to be made available for use under the agreement.

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Election for new regime not to apply in certain cases

- 67 (1) This paragraph applies where—
- (a) a person incurs expenses on the hiring of a car or motor cycle under an agreement entered into on or before 8 December 2008, and
 - (b) the hire period begins before the second relevant date.
- (2) If the person makes an election under this paragraph, none of the amendments made by this Part of this Schedule has effect in relation to any deduction for expenses incurred by the person on the hiring of the car or motor cycle under the agreement.
- (3) The election must be made by notice given to an officer of Revenue and Customs—
- (a) for income tax purposes, on or before the normal time limit for amending a tax return for the tax year in which the relevant chargeable period ends, and
 - (b) for corporation tax purposes, no later than 2 years after the end of the relevant chargeable period.
- (4) “The relevant chargeable period” means the first chargeable period (as defined in section 6 of CAA 2001) in which any expenditure by the person on the provision of the car or motor cycle under the agreement was incurred.
- (5) The election is irrevocable.
- (6) All such assessments and adjustments of assessments are to be made as are necessary to give effect to the election.
- (7) For the purpose of this paragraph, an agreement is entered into on the first date on which the following conditions are met—
- (a) there is a contract in writing for the use of the car or motor cycle by the person,
 - (b) the contract is unconditional or, if it is conditional, the conditions have been met, and
 - (c) no terms remain to be agreed.

Saving

- 68 The repeal of section 82 of CAA 2001 (meaning of “qualifying hire car”) by Part 1 of this Schedule does not affect the continued operation of the following provisions until they are repealed by this Part of this Schedule—
- (a) section 578B(2)(b) of ICTA,
 - (b) section 49(2)(c) of ITTOIA 2005, and
 - (c) section 57(2)(c) of CTA 2009.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 102(4)(za) inserted by [2010 c. 33 Sch. 9 para. 3\(3\)](#)
- Sch. 53 para. 2A-2D and cross-heading inserted by [2010 c. 33 Sch. 9 para. 7](#)
- Sch. 53 para. 6A and cross-heading inserted by [2010 c. 33 Sch. 9 para. 8](#)
- Sch. 53 para. 11A11B and cross-heading inserted by [2010 c. 33 Sch. 9 para. 17](#)
- Sch. 53 para. 14A and cross-heading inserted by [2010 c. 33 Sch. 9 para. 18](#)
- Sch. 54 para. 9B9C and cross-heading inserted by [2010 c. 33 Sch. 9 para. 11](#) (Sch. 54 para. 9B is amended before it comes into force by [2016 c. 24, Sch. 1 para. 66\(5\)](#))
- Sch. 54 para. 12A12B and cross-heading inserted by [2010 c. 33 Sch. 9 para. 19](#)
- Sch. 54 Pt. A1 inserted by [2010 c. 33 Sch. 9 para. 10](#) (Sch. 9 para. 10 is amended before it comes into force by [2017 c. 32, Sch. 4 para. 182](#))
- Sch. 55 para. 6(3A)(za) inserted by [2015 c. 11 Sch. 20 para. 15\(2\)\(a\)](#)
- Sch. 55 para. 6(4A)(za) inserted by [2015 c. 11 Sch. 20 para. 15\(3\)\(a\)](#)
- Sch. 55 para. 17(4)(ba) inserted by [2015 c. 11 Sch. 20 para. 19](#)
- Sch. 56 para. 3(1)(d) omitted by [2021 c. 26 Sch. 27 para. 40\(4\)\(c\)](#)