

FINANCE ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Section 59: Cars With CO₂ Emissions Figure

Summary

1. [Section 59](#) relates to taxable benefits on company cars. With effect from 6 April 2012, it modifies current appropriate percentage bands and CO₂ emissions thresholds by extending current graduated tax bands down to a new 10 per cent band, and moving all CO₂ emissions thresholds down by 5kg/km. The new 10 per cent band will apply to company cars with CO₂ emissions up to 99g/km. The category of Qualifying Low Emissions Cars (QUALECs) is removed as a result.

Details of the Section

2. Subsection (2) inserts a new section 139 into the Income Tax (Earnings & Pensions) Act 2003 (ITEPA) which provides that the appropriate percentage, used with the list price to determine the level of chargeable benefit, is based on the CO₂ emissions of the car. It also provides for the relevant threshold, below which the appropriate percentage of ten per cent applies, the graduation of bands which trigger an increase in the appropriate percentage, and the upper threshold of 35 per cent. Finally, it provides for adjustments to the appropriate percentage in the case of diesel cars and by any regulations made under section 170(4).
3. Subsection (3) provides for consequential amendments to section 170. Section 170(3A) is removed and section 170(3) is amended to reflect the changes to section 139 described in subsection (2). It also amends the commencing year in which Regulations to adjust the level of the appropriate percentage may be laid.
4. Subsection (4) provides for other consequential amendments to section 59 of the Finance Act (FA) 2006 (which defined QUALECs), and to paragraphs 6, 9 and 10(1) of Schedule 28 to FA 2009 (relating to the table of thresholds).
5. Subsection (5) provides for the commencement date for the amendments made by the new section 139.

Background Note

6. Section 139 of ITEPA 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 and Class 1A National Insurance Contributions.
7. The current graduated table of company car tax bands will be extended down to a new 10 per cent band, and all CO₂ emissions thresholds moved down by 5g/km on 6 April 2012 so that the 10 per cent band will apply to company cars with CO₂ emissions up to 99g/km. Qualifying Low Emissions Cars (QUALECs) will therefore no longer exist as a

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which received Royal Assent on 8 April 2010*

separate category. These changes support the Government's commitments on reducing carbon emissions.