

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 14: Cars: Security Features Not to Be Regarded as Accessories

Summary

1. **Section 14** ensures that individuals who are provided with security enhanced cars made available for their private use, and who can demonstrate that the nature of their employment creates a threat to their personal security, are not unfairly impacted by the abolition of the £80,000 cap on the cash equivalent of the benefit on company cars made available for private use. It will take effect from 6 April 2011.

Details of the Section

2. Paragraph 2 introduces new section 125(3A) into the Income Tax (Earnings and Pensions) Act 2003 (ITEPA). This provides that section 125(2) ITEPA (which deals with exclusions from treatment as accessories) must be read with new section 125A ITEPA.
3. Paragraph 3 introduces new section 125A. New section 125A(1) provides that the section applies to company cars with a relevant security feature. New section 125A(2) provides that the relevant security feature is not an accessory if it is provided as a result of a threat to the individual's personal security arising from the nature of their employment. New section 125A(3) sets out the types of relevant security features and includes any modification made to the car as a result of the enhancements (in order to make it roadworthy). Finally, new section 125A(4) provides an order making power to introduce further relevant security features should these be required in future.
4. Paragraph 4 deals with a consequential amendment to Part 2 of Schedule 1 to ITEPA (index of defined expressions).

Background Note

5. The cash equivalent of the taxable benefit of a company car made available for private use is calculated on the basis of (list price + cost of accessories) x (the appropriate percentage (normally based on CO2 engine emissions)).
6. Because of the nature of their employment, a number of individuals in both the public and private sectors are provided with company cars that have been modified to accept security enhancements such as bullet proofed glass and armour plating. These are currently regarded as accessories for tax purposes and the value of the enhancements falls within the computation of the cash equivalent of the benefit. This may significantly add to the level of taxable benefit resulting in a disproportionate tax liability for some individuals.
7. Prior to 6 April 2011, there was an £80,000 limit on the list price and accessories calculation for the cash equivalent of the taxable benefit. This covered most security enhanced cars.