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STATUTORY INSTRUMENTS

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**2001 No. 1123**

**INCOME TAX**

**The Income Tax (Car Benefits) (Reduction of Value of Appropriate Percentage) Regulations 2001**

<i>Made</i>	- - - -	<i>21st March 2001</i>
<i>Laid before the House of Commons</i>	- - - -	<i>22nd March 2001</i>
<i>Coming into force</i>	- -	<i>12th April 2001</i>

The Treasury, in exercise of the powers conferred upon them by paragraphs 5E and 8 of Schedule 6 to the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Income Tax (Car Benefits) (Reduction of Value of Appropriate Percentage) Regulations 2001 and shall come into force on 12th April 2001.

(2) These Regulations have effect for the year 2002–03 and subsequent years of assessment.

**Interpretation**

2. In these Regulations—

“bi-fuel car” means a car which is capable of being propelled by petrol and road fuel gas;

“diesel” means any diesel fuel within the definition in Article 2 of Directive 98/70/EC;

“Directive 98/70/EC” means Directive 98/70/EC of the European Parliament and of the Council(2) relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC(3);

“petrol” has the meaning given by Article 2 of Directive 98/70/EC;

“road fuel gas” has the meaning given by section 168AB(3)(4) of the Income and Corporation Taxes Act 1988;

“Schedule 6” means Schedule 6 to the Income and Corporation Taxes Act 1988;

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(1) 1988 c. 1; Schedule 6 was substituted by paragraph 5 of Schedule 3 to the Finance Act 1993 (c. 34) and relevantly amended with effect from the year 2002–03 by paragraph 1 of Schedule 11 to the Finance Act 2000 (c. 17).

(2) O.J. L350, 28.12.98, p.58.

(3) O.J. L74, 27.3.93, p.81.

(4) Inserted by section 60(3) of the Finance Act 1998 (c. 36) and amended with effect from the year 2002–03 by paragraph 2 of Schedule 11 to the Finance Act 2000.

“the value of the appropriate percentage” means the value of the appropriate percentage as determined in accordance with paragraphs 2 to 5D of Schedule 6.

**Prescribed reduction of value of appropriate percentage—cars propelled solely by diesel**

3.—(1) In the circumstances prescribed by paragraph (2) the value of the appropriate percentage shall be reduced by the amount prescribed by paragraph (3).

(2) The circumstances prescribed by this paragraph are circumstances where the car—

- (a) is first registered on or after 1st January 1998,
- (b) is propelled solely by diesel, and
- (c) has been type-approved to the emission limit values set out in row B of the table in section 5.3.1.4 of Annex I to Council Directive 70/220/EEC(5) as amended.

(3) The amount prescribed is the percentage amount by which the appropriate percentage for the year ascertained in accordance with paragraphs 2 to 5C of Schedule 6 is increased by virtue of paragraph 5D of that Schedule.

**Prescribed reduction of value of appropriate percentage—electrically propelled cars**

4.—(1) In the circumstances prescribed by paragraph (2) the value of the appropriate percentage shall be reduced by the amount prescribed by paragraph (3).

(2) The circumstances prescribed by this paragraph are circumstances where the car—

- (a) is first registered on or after 1st January 1998, and
- (b) is an electrically propelled vehicle for the purposes of Schedule 6.

(3) The amount prescribed by this paragraph is 6%.

**Prescribed reduction of value of appropriate percentage—hybrid cars capable of being propelled by electricity and petrol**

5.—(1) In the circumstances prescribed by paragraph (2) the value of the appropriate percentage shall be reduced by the amount prescribed by paragraph (3).

(2) The circumstances prescribed by this paragraph are circumstances where the car—

- (a) is first registered on or after 1st January 1998, and
- (b) is capable of being propelled by electricity and petrol.

(3) The amount prescribed by this paragraph shall be determined by the formula—

$$A + B$$

where—

A is 2%, and

B is 1% for each 20 grams per kilometre by which the CO<sub>2</sub> emissions figure is less than the lower threshold provided for in the Table in paragraph 4(1) of Schedule 6.

**Prescribed reduction of value of appropriate percentage—cars propelled solely by road fuel gas and bi-fuel cars to which paragraph 5 of Schedule 6 applies**

6.—(1) In the circumstances prescribed by paragraph (2) the value of the appropriate percentage shall be reduced by the amount prescribed by paragraph (3).

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(5) O.J. 1970, L76, 6.4.70, p.1, relevantly amended by Directive 98/69 EEC of the European Parliament and of the Council (O.J. 1998, L350, 28.12.98, p.1).

- (2) The circumstances prescribed by this paragraph are circumstances where the car—
- (a) is first registered on or after 1st January 1998 and is propelled solely by road fuel gas, or
  - (b) is a bi-fuel car to which paragraph 5 of Schedule 6 applies.
- (3) The amount prescribed by this paragraph shall be determined by the formula—
- $$A + B$$

where—

A is 1%, and

B is 1% for each 20 grams per kilometre by which the CO<sub>2</sub> emissions figure is less than the lower threshold provided for in the Table in paragraph 4(1) of Schedule 6.

**Prescribed reduction of value of appropriate percentage—bi-fuel cars to which paragraph 5 of Schedule 6 does not apply**

7.—(1) In the circumstances prescribed by paragraph (2) the value of the appropriate percentage shall be reduced by the amount prescribed by paragraph (3).

- (2) The circumstances prescribed by this paragraph are circumstances where the car—
- (a) is first registered on or after 1st January 1998,
  - (b) is a bi-fuel car either—
    - (i) on the date on which it is first registered, or
    - (ii) by virtue of equipment added after the date on which it is first registered, and
  - (c) is not a car to which paragraph 5 of Schedule 6 applies.
- (3) The amount prescribed by this paragraph is 1%.

**Amendment to the Income Tax (Replacement Cars) Regulations 1994**

- 8.—(1) Amend the Income Tax (Replacement Cars) Regulations 1994(6) as follows.
- (2) In regulation 5 for “Paragraphs 2, 4 and 7 shall each” substitute “Paragraph 7 shall”.

21st March 2001

*Clive Betts*  
*David Jamieson*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Schedule 6 to the Income and Corporation Taxes Act 1988 (c. 1) (“Schedule 6”) is amended by Schedule 11 to the Finance Act 2000 (c. 17) so as to provide for a new system for taxing car benefits from 6th April 2002. Under the new system the income tax charge on the benefit of a car will be calculated by reference to a percentage for the year (“the appropriate percentage”) of the price of the car as regards that year.

These Regulations are made under paragraph 5E of Schedule 6 which gives the Treasury power to provide for the value of the appropriate percentage as determined in accordance with paragraphs 2 to 5D of that Schedule to be reduced by such amount as may be prescribed, in such circumstances and subject to such conditions as may be so prescribed.

Regulation 1 provides for citation, commencement and effect, and Regulation 2 for interpretation.

Regulation 3 prescribes a reduction of the value of the appropriate percentage in relation to cars propelled solely by diesel which meet a European Community standard for cleaner cars.

Regulation 4 prescribes a reduction of the value of the appropriate percentage in relation to electrically propelled cars.

Regulation 5 prescribes a reduction of the value of the appropriate percentage in relation to cars which are capable of being propelled by electricity and petrol.

Regulation 6 prescribes a reduction of the value of the appropriate percentage in relation to cars which are propelled solely by road fuel gas and cars which are capable of being propelled by petrol and road fuel gas and to which paragraph 5 of Schedule 6 applies.

Regulation 7 prescribes a reduction of the value of the appropriate percentage in relation to cars which are capable to being propelled by petrol and road fuel gas and to which paragraph 5 of Schedule 6 does not apply.

Regulation 8 makes a minor amendment to the Income Tax (Replacement Cars) Regulations 1994 (S.I.1994/778) which is consequential on the amendment of Schedule 6 by Schedule 11 to the Finance Act 2000.