

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 2: Trading income

Chapter 4: Trade profits: rules restricting deductions

Employee benefit contributions

Section 50: Hiring cars (but not motor cycles) with low carbon dioxide emissions

212. This section excludes cars with low CO₂ emissions and electrically propelled cars from the restriction in section 48. It is based on section 578A(2A) and (2B) of ICTA and section 60 of FA 2002.
213. Expenditure incurred on hiring a car first registered before 17 April 2002 does not qualify for relief under this section. See paragraph 17 of Schedule 2 to this Act.
214. *Subsection (2)* defines “car with low CO₂ emissions” and “electrically propelled car” by reference to section 45D of CAA.
215. Section 45D(2) to (6) of CAA defines a car with low CO₂ emissions as follows:
- “(2) For the purposes of this section a car with low CO₂ emissions is a car which satisfies the conditions in subsections (3) and (4).
 - (3) The first condition is that, when the car is first registered, it is so registered on the basis of an EC certificate of conformity, or a UK approval certificate, that specifies—
 - (a) in the case of a car other than a bi-fuel car, a CO₂ emissions figure in terms of grams per kilometre driven, or
 - (b) in the case of a bi-fuel car, separate CO₂ emissions figures in terms of grams per kilometre driven for different fuels.
 - (4) The second condition is that the applicable CO₂ emissions figure in the case of the car does not exceed 120 grams per kilometre driven.
 - (5) For the purposes of subsection (4) the applicable CO₂ emissions figure in the case of a car other than a bi-fuel car is—
 - (a) where the EC certificate of conformity or UK approval 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.
 - (6) For the purposes of subsection (4) the applicable CO₂ emissions figure in the case of a bi-fuel car is—

*These notes refer to the Income Tax (Trading and Other Income)
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

- (a) where the EC certificate of conformity or UK approval 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.
216. Section 45D(7) of CAA provides that the amount specified in section 45D(4) may be amended by Treasury order.
217. Section 45D(9) of CAA defines an electrically propelled car as a car which is:
- “(a) ...propelled solely by electrical power, and
 - (b) that power is derived from—
 - (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.