

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 54: Taxable Benefit of Cars: Price of Automatic Car for Disabled Employee

Background Note

6. Currently where a company car is made available to an employee for private use, a tax charge arises on the benefit in kind of the availability of the car. In almost every case, the employer calculates the benefit by reference to the list price and the CO2 emissions of the car. The same method is used for all drivers, regardless of any disability the driver might have.
7. However, for disabled drivers there are currently a number of targeted measures within company car tax in recognition of the fact that, because of their disability, they might need to drive a car with a higher benefit charge than would otherwise be the case. For example:
 - subject to certain conditions, the cost of accessories provided for disabled drivers is excluded from the calculation of the company car benefit (section 125(2)(c) of ITEPA); and
 - drivers who hold a disabled person's badge and who have to use automatic company cars are able to use the CO2 figure for the equivalent manual car in the calculation of the benefit where this is lower than that of the automatic car they actually drive (section 138 of ITEPA).
8. This new measure extends the existing legislation in section 122 on "the price of the car" to allow disabled drivers holding a disabled person's badge (blue badge) to use the list or notional price of an equivalent manual car to work out the benefit charge instead of the list or notional price of the automatic car they actually drive, where this is to their advantage.
9. The objective of this measure is to remove a tax disadvantage that certain disabled company car drivers suffer because they need to drive automatic cars on account of their disability.
10. This change brings the method used to determine the price of the car into line with the method used to determine the CO2 emissions. From 2009-10, where the disabled driver has to drive an automatic because of their disability, the CO2 emissions figure and list or notional price of an equivalent manual car can be used to calculate the car benefit. This is consistent with the Government's wider objectives of supporting the disabled.