

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 17: Taxable Benefits: “the Appropriate Percentage” for Cars for 2014-15

Summary

1. [Section 17](#) relates to taxable benefits on company cars. With effect from 6 April 2014, it modifies the current appropriate percentage bands and carbon dioxide (CO₂) emissions thresholds by revising the appropriate percentage of the relevant threshold up to 12 per cent from 11 per cent.
2. The section also increases the appropriate percentage for cars with emissions below the relevant threshold but greater than 75g CO₂ per kilometre from 10 per cent to 11 per cent.

Details of the Section

3. Subsection (1) introduces changes to section 139 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) (as amended by section 51 of the Finance Act 2011 with effect from 6 April 2013). It provides that subsection (2) is amended to increase the level of the appropriate percentage from 10 per cent to 11 per cent for cars with engine emissions below the relevant threshold, but greater than 75g CO₂ per kilometre. The subsection also amends subsection 139(3) ITEPA so that the appropriate percentage of the relevant threshold is increased from 11 per cent to 12 per cent.
4. Subsection (2) provides that this amendment has effect for 2014-15 and subsequent tax years.

Background Note

5. 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 for employees and of Class 1A NICs for employers.
6. From 6 April 2012, the graduated table of company car tax bands will provide for a zero per cent band for zero emission cars, a 5 per cent band for ultra low emissions cars (1-75g CO₂ per km emissions), a new 10 per cent band for other low emissions cars (76g-100g CO₂ per km emissions) with a one per cent increase for each rise in emissions of 5g CO₂ per km above 100g CO₂ to a maximum of 35 per cent.
7. Section 51 of the Finance Act 2011 provided for a change to the 10 per cent band for low emissions cars to 76-95g CO₂ per km from 6 April 2013.
8. This section has the effect of retaining the same emissions values, but instead increases the value of the appropriate percentage by one per cent to 11 per cent for cars with emissions below the relevant threshold, and 12 per cent for cars at the relevant threshold, respectively. The appropriate percentage for cars with zero emissions and those emitting 75g CO₂ or less will remain unchanged for 2014-15.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

9. On average, the level of CO₂ emissions produced by new cars fell by more than 5g in the last year. These changes support the Government's commitment to reducing the UK's carbon footprint.