

## Clause 1: Taxable benefits: car's CO<sub>2</sub> emissions figure determined using WLTP values

### Summary

1. The government announced at Budget 2017 it would introduce a new regime for calculating a car's CO<sub>2</sub> emissions, known as the Worldwide Harmonised Light vehicles Test Procedure (WLTP). This will apply to all cars first registered from 6 April 2020 onwards and replaces emissions testing under the New European Driving Cycle (NEDC). NEDC emissions values will still apply to cars first registered between 1 October 1999 and 5 April 2020 inclusive.

### Details of the clause

2. Subsection (1) introduces amendments to ITEPA.
3. Subsection (2) amends section 136 of ITEPA (car with a CO<sub>2</sub> emissions figure: post-September 1999 registration). Section 136(2A) paragraphs (i) to (iii) are amended so that its provisions only apply to cars first registered before 6 April 2020; make a small amendment to the meaning of WLTP; and allow for the use of UK approval certificates, respectively.
4. Subsection (2) also introduces new sub-section (2B) for cars first registered on or after 6 April 2020 to provide that any emissions figures which are not WLTP values must be ignored. So section 136(2A) ensures that NEDC values are used for cars first registered before 6 April 2020, and section 136(2B) provides that WLTP values are used for cars first registered thereafter.
5. Similarly, subsection (3) amends section 137 ITEPA (car with a CO<sub>2</sub> emissions: bi-fuel cars). Section 137(2A) paragraphs (i) to (iii) are amended so that its provisions only apply to cars first registered before 6 April 2020; make a small amendment to the meaning of WLTP to align the description with the wording contained on documents issued by the Vehicle Certification Agency and other bodies; and allow for the use of UK approval certificates, respectively.
6. Subsection (3) also introduces new sub-section (2B) for cars first registered on or after 6 April 2020 to provide that any emissions figures which are not WLTP values must be ignored. So section 137(2A) ensures that NEDC values are used for cars first registered before 6 April 2020, and section 137(2B) provides that WLTP values are used for cars first registered thereafter.
7. Subsection (4) provides that the amendments have effect for the tax year 2020-21 and subsequent tax years.

## Background note

8. From 1 September 2017, a new emissions test procedure was introduced (WLTP). All EC certificates of conformity or UK approval certificates for new cars now show CO<sub>2</sub> emissions figures based upon the WLTP test procedure, in addition to those based upon the existing methodology (NEDC).
9. Chapter 6 of Part 3 ITEPA applies to a car or van in relation to a particular tax year if in that year the car or van is made available by reason of an employment for the employee's private use. Section 120 of ITEPA provides for the cash equivalent of the benefit of a car to be treated as earnings from the employment for that year. It is therefore necessary to calculate the cash equivalent of the benefit of the car for a tax year, using the calculation set out in Section 121 of ITEPA. Step 5 of the calculation refers to finding the "appropriate percentage" for the car for the tax year in accordance with Sections 133 to 142 of ITEPA.
10. This clause provides for the implementation of the WLTP regime by amending Chapter 6 of Part 3 (taxable benefits: cars, vans and related benefits), of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).
11. The legislation makes a number of consequential amendments to the existing definition of WLTP, and ensures that emissions values from either an EC certificate of conformity or UK approval certificate may be used.
12. These amendments seek to clarify that any WLTP value specified in a UK approval certificate should be ignored for bi-fuel cars falling within this category. It also brings the government's announcement concerning WLTP values into effect in relation to bi-fuel cars first registered on or after 6 April 2020.
13. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Policy Team by email on:  
[employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)

## Clause 2: Appropriate percentage for car with CO<sub>2</sub> emissions figure: tax year 2020-21

### Summary

1. The government announced at Budget 2017 it would introduce a new regime for calculating a car's CO<sub>2</sub> emissions, known as the Worldwide Harmonised Light vehicles Test Procedure (WLTP). This will apply to all cars first registered from 6 April 2020 onwards and replaces emissions testing under the New European Driving Cycle (NEDC). NEDC emissions values will still apply to cars first registered between 1 October 1999 and 5 April 2020 inclusive. This clause provides for the implementation of the WLTP regime by amending Chapter 6 of Part 3 (taxable benefits: cars, vans and related benefits), of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) for the tax year 2020-21.

### Details of the clause

2. Subsection (1) introduces the amendments to section 139 ITEPA (car with a CO<sub>2</sub> emissions figure: the appropriate percentage) for the tax year 2020-21.
3. The effect of subsection (2) is that it replaces subsections (1) to (6) inclusive for cars first registered before 6 April 2020 with new subsections (1) to (5). New section 139(1) provides for the appropriate percentage for cars with an emissions figure of less than 75 grams per kilometre driven. For those with an emissions figure between 1 and 50, the appropriate percentage is also dependent on the electric range figure (the number of miles that can be driven on battery power only).
4. New subsection 2 provides that where a CO<sub>2</sub> emissions figure or electric range figure is not a whole number, it is to be rounded down to the nearest whole number. New subsections 3 and 4 set the appropriate percentages for cars with emissions above 75 grams and state that where the emissions figure is not a multiple of 5, it is to be rounded down to the nearest multiple. New subsection 5 defines the electric range figure.
5. Subsection (3) varies the application of section 139 by providing that the ordinary application of that section is subject to the application of new section 139A ITEPA in section 139(7).
6. Subsection (4) introduces new section 139A (139A Section 139: recently registered car with CO<sub>2</sub> emissions figure), which provides for the appropriate percentages for cars first registered on or after 6 April 2020 where these differ from those for cars first registered before that date.
7. Subsection (5) provides that these amendments are effective solely for the tax year 2020-21.

## Background note

8. From 1 September 2017, a new emissions test procedure was introduced (WLTP). All EC certificates of conformity or UK approval certificates for new cars now show CO<sub>2</sub> emissions figures based upon the WLTP test procedure, in addition to those based upon the existing methodology (NEDC).
9. Chapter 6 of Part 3 ITEPA applies to a car or van in relation to a particular tax year if in that year the car or van is made available by reason of an employment for the employee's private use. Section 120 of ITEPA provides for the cash equivalent of the benefit of a car to be treated as earnings from the employment for that year. It is therefore necessary to calculate the cash equivalent of the benefit of the car for a tax year, using the calculation set out in Section 121 of ITEPA. Step 5 of the calculation refers to finding the "appropriate percentage" for the car for the tax year in accordance with Sections 133 to 142 of ITEPA.
10. Section 133 of ITEPA specifies how to determine the "appropriate percentage" for the car, depending on whether it is a car with or without a CO<sub>2</sub> emissions figure, or a diesel car. Section 134 of ITEPA provides a definition of a car with or without a CO<sub>2</sub> emissions figure.
11. Section 139 of ITEPA provides how the appropriate percentage is to be determined for cars with a CO<sub>2</sub> emissions figure. This will now apply only to those cars first registered before 6 April 2020. New section 139A will provide how the appropriate percentage is to be determined for cars first registered on or after 6 April 2020. This clause will apply for the tax year 2020-21.
12. Clauses 3 and 4 reflect the same legislative provisions but for the years 2021-22, 2022-23 and subsequent tax years respectively.
13. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Policy Team by email on:  
[employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)

## Clause 3: Appropriate percentage for car with CO<sub>2</sub> emissions figure: tax year 2021-22

### Summary

1. The government announced at Budget 2017 it would introduce a new regime for calculating a car's CO<sub>2</sub> emissions, known as the Worldwide Harmonised Light vehicles Test Procedure (WLTP). This will apply to all cars first registered from 6 April 2020 onwards and replaces emissions testing under the New European Driving Cycle (NEDC). NEDC emissions values will still apply to cars first registered between 1 October 1999 and 5 April 2020 inclusive. This clause provides for the implementation of the WLTP regime by amending Chapter 6 of Part 3 (taxable benefits: cars, vans and related benefits), of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

### Details of the clause

2. Subsection (1) introduces the amendments to section 139 ITEPA (car with a CO<sub>2</sub> emissions figure: the appropriate percentage) for the tax year 2021-22.
3. The effect of subsection (2) is that it replaces subsections (1) to (6) inclusive for cars first registered before 6 April 2020 with new subsections (1) to (5). New section 139(1) provides for the appropriate percentage for cars with an emissions figure of less than 75 grams per kilometre driven. For those with an emissions figure between 1 and 50, the appropriate percentage is also dependent on the electric range figure (the number of miles that can be driven on battery power only).
4. New subsection 2 provides that where a CO<sub>2</sub> emissions figure or electric range figure is not a whole number, it is to be rounded down to the nearest whole number. New subsections 3 and 4 set the appropriate percentages for cars with emissions above 75 grams and state that where the emissions figure is not a multiple of 5, it is to be rounded down to the nearest multiple. New subsection 5 defines the electric range figure
5. Subsection (3) varies the application of section 139 by providing that the ordinary application of that section is subject to the application of new section 139A ITEPA in section 139(7).
6. Subsection (4) introduces new section 139A (139A Section 139: recently registered car with CO<sub>2</sub> emissions figure), which provides for the appropriate percentages for the tax year 2021-22 for cars first registered on or after 6 April 2020 where these differ from those for cars first registered before that date.
7. Subsection (5) provides that these amendments are effective solely for the tax year 2021-22.

## Background note

8. From 1 September 2017, a new emissions test procedure was introduced (WLTP). All EC certificates of conformity or UK approval certificates for new cars now show CO<sub>2</sub> emissions figures based upon the WLTP test procedure, in addition to those based upon the existing methodology (NEDC).
9. Chapter 6 of Part 3 ITEPA applies to a car or van in relation to a particular tax year if in that year the car or van is made available by reason of an employment for the employee's private use. Section 120 of ITEPA provides for the cash equivalent of the benefit of a car to be treated as earnings from the employment for that year. It is therefore necessary to calculate the cash equivalent of the benefit of the car for a tax year, using the calculation set out in Section 121 of ITEPA. Step 5 of the calculation refers to finding the "appropriate percentage" for the car for the tax year in accordance with Sections 133 to 142 of ITEPA.
10. Section 133 of ITEPA specifies how to determine the "appropriate percentage" for the car, depending on whether it is a car with or without a CO<sub>2</sub> emissions figure, or a diesel car. Section 134 of ITEPA provides a definition of a car with or without a CO<sub>2</sub> emissions figure.
11. Section 139 of ITEPA provides how the appropriate percentage is to be determined for cars with a CO<sub>2</sub> emissions figure. This will now apply only to those cars first registered before 6 April 2020. New section 139A will provide how the appropriate percentage is to be determined for cars first registered on or after 6 April 2020. This clause will apply for the tax year 2021-22.
12. Clauses 2 and 4 reflect the same legislative provisions but for the years 2020-21, 2022-23 and subsequent tax years respectively.
13. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Policy Team by email on:  
[employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)

## Clause 4: Appropriate percentage for car with CO<sub>2</sub> emissions figure: later tax years

### Summary

1. The government announced at Budget 2017 it would introduce a new regime for calculating a car's CO<sub>2</sub> emissions, known as the Worldwide Harmonised Light vehicles Test Procedure (WLTP). This will apply to all cars first registered from 6 April 2020 onwards and replaces emissions testing under the New European Driving Cycle (NEDC). NEDC emissions values will still apply to cars first registered between 1 October 1999 and 5 April 2020 inclusive. This clause provides for the implementation of the WLTP regime by amending section 2 of Finance (No.2) Act 2017 (appropriate percentage for ultra-low emission vehicles).

### Details of the clause

2. Subsection (1) introduces amendments to section 2 of F(No.2)A 2017 (appropriate percentage for ultra-low emission vehicles).
3. Subsection (2) introduces new section 2(5A) which provide that the amendments made by section 2(2) have effect for the tax year 2022-23 and subsequent tax years.
4. Subsection (3) provides for a small consequential amendment relating to when certain other amendments in section 2 of F(No.2)A 2017 have effect.

### Background note

5. From 1 September 2017, a new emissions test procedure was introduced (WLTP). All EC certificates of conformity or UK approval certificates for new cars now show CO<sub>2</sub> emissions figures based upon the WLTP test procedure, in addition to those based upon the existing methodology (NEDC).
6. Chapter 6 of Part 3 ITEPA applies to a car or van in relation to a particular tax year if in that year the car or van is made available by reason of an employment for the employee's private use. Section 120 of ITEPA provides for the cash equivalent of the benefit of a car to be treated as earnings from the employment for that year. It is therefore necessary to calculate the cash equivalent of the benefit of the car for a tax year, using the calculation set out in Section 121 of ITEPA. Step 5 of the calculation refers to finding the "appropriate percentage" for the car for the tax year in accordance with Sections 133 to 142 of ITEPA.
7. Clauses 2, 3 and 4 all make provision for changes to the "appropriate percentage" for the years 2020-21, 2021-22, and 2022-23 and subsequent tax years respectively.

8. Section 133 of ITEPA specifies how to determine the “appropriate percentage” for the car, depending on whether it is a car with or without a CO<sub>2</sub> emissions figure, or a diesel car. Section 134 of ITEPA provides a definition of a car with or without a CO<sub>2</sub> emissions figure.
9. Section 2 of F(No.2)A 2017 amends section 139 ITEPA. Section 139 of ITEPA provides how the appropriate percentage is to be determined for cars with a CO<sub>2</sub> emissions figure. This clause will apply for the tax year 2022-23 and subsequent tax years.
10. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Policy Team by email on:  
[employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)