

## Clause 1: Cash equivalent benefit of a zero emissions van

### Summary

1. This clause amends section 155 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) in respect of taxable vans which cannot emit CO<sub>2</sub> under any circumstances when being driven. The provisions apply from 6 April 2021. The clause also amends section 170 ITEPA to allow the cash equivalent of the benefit to be increased by secondary legislation for specified tax years.

### Details of the clause

2. Subsection 1 introduces amendments to section 155 ITEPA.
3. Subsection 2 amends subsection (1B)(a) and inserts new paragraph (aa), which provides that the cash equivalent of the benefit of vans which cannot emit CO<sub>2</sub> under any circumstances when being driven is nil in the tax year 2021-22 and subsequent tax years.
4. Subsection 3 removes subsection (1C)(g) as it becomes otiose following the amendments set out above.
5. Subsection 4 makes consequential amendments to the order-making powers contained in section 170(1A) which allow the cash equivalent of the benefit for zero emission vans to be increased by secondary legislation for future specified tax years.

### Background note

6. From 2021-22, the cash equivalent of the van benefit charge for zero emission vans is nil. This applies only to those vans which cannot emit CO<sub>2</sub> under any circumstances when being driven. The government announced its intention to introduce this policy change at Budget 2020.
7. This clause supports the uptake of less polluting goods vehicles by reducing the level of the tax charge that would otherwise be applicable. It also supports the government's objectives on decarbonisation and air quality initiatives. The government will continue to review taxable benefits so that they support the sustainability of public finances.
8. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Policy Team (email: [employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)).