

Taxable car benefits and CO₂ emissions

(Lecture P1162 – 8.12 minutes)

As announced by the previous Chancellor in 2017, the CO₂ emissions figure for the purposes of company car tax (and related charges) will be based on the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) methodology in respect of new cars registered on or after 6 April 2020. This measure is included in the draft Finance Bill clauses published on 11 July 2019.

For cars assessed under the WLTP rules, the majority of the taxable benefit percentages will be reduced by 2% in 2020/21 compared to cars with CO₂ emissions measured under the normal New European Driving Cycle (NEDC). For example, CO₂ emissions generating an appropriate percentage of 23% by virtue of the latter arrangement would be given a reduced percentage of 21%. This figure will then be increased by one percentage point in 2021/22 (i.e. to 22%) and by a further percentage point in 2022/23 (i.e.. to 23%).

Where cars are classified as zero-emission vehicles, the relevant percentage will be taken as 0% in 2020/21, rising to 1% for 2021/22 and 2% for 2022/23.

For cars first registered on or after 1 October 1999 but before 6 April 2020, the draft Finance Bill makes it clear that the CO₂ emission figures will continue to be based on the NEDC regime. The legislation is unchanged for cars first registered before 1 October 1999.

The policy objective behind the move is explained by HMRC as follows:

‘As WLTP is more representative of real-world driving conditions, this measure ensures that company car tax . . . (is) based on a more robust regime for measuring CO₂ emissions.

The introduction of WLTP allows motorists to make more informed purchasing decisions when considering the CO₂ impact of their new car. WLTP results in different CO₂ values in comparison to the NEDC procedure and the changes to the appropriate percentages for cars measured under the WLTP procedure support its introduction. The changes to appropriate percentage figures for all zero-emission vehicles support the Government’s climate change objectives by encouraging take-up of zero-emission vehicles.’

The company car tax system is currently based on a vehicle’s CO₂ emission figure calculated under the NEDC test procedure. WLTP testing standards were introduced for new registrations made on or after 1 September 2017. With effect from that date, legislation requires manufacturers to report the CO₂ emission figures for both NEDC and WLTP test procedures. However, where more than one emission figure is recorded on the car’s log book, the NEDC figure should be used for all tax years up to and including 2019/20.

For 2020/21, S139 ITEPA 2003 sets out the following car benefit figures for cars registered before 6 April 2020:

<i>Appropriate CO₂ emissions</i>	<i>Percentage</i>
0	0%
1 – 50:	
Car with electric range figure of 130 miles or more	2%
Car with electric range figure of 70 – 129 miles	5%
Car with electric range figure of 40 – 69 miles	8%
Car with electric range figure of 30 – 39 miles	12%
Car with electric range figure of less than 30 miles	14%
51 – 54	15%
55 – 59	16%
60 – 64	17%
65 – 69	18%
70 – 74	19%
75 – 79	20%
80 – 84	21%
85 – 89	22%
90 – 94	23%
95 – 99	24%
100 – 104	25%
105 – 109	26%
110 – 114	27%
115 – 119	28%
120 – 124	29%
125 – 129	30%
130 – 134	31%
135 – 139	32%
140 – 144	33%
145 – 149	34%
150 – 154	35%
155 – 159	36%
160 or over	37%

For 2020/21, S139A ITEPA 2003 sets out the following car benefit figures for cars registered on or after 6 April 2020:

<i>Appropriate CO₂ emissions</i>	<i>Percentage</i>
0	0%
1 – 50:	
Car with electric range figure of 130 miles or more	0%
Car with electric range figure of 70 – 129 miles	3%
Car with electric range figure of 40 – 69 miles	6%
Car with electric range figure of 30 – 39 miles	10%
Car with electric range figure of less than 30 miles	12%
51 – 54	13%
55 – 59	14%
60 – 64	15%
65 – 69	16%

70 – 74	17%
75 – 79	18%
80 – 84	19%
85 – 89	20%
90 – 94	21%
95 – 99	22%
100 – 104	23%
105 – 109	24%
110 – 114	25%
115 – 119	26%
120 – 124	27%
125 – 129	28%
130 – 134	29%
135 – 139	30%
140 – 144	31%
145 – 149	32%
150 – 154	33%
155 – 159	34%
160 – 164	35%
165 – 169	36%
170 or over	37%

Further adjustments, as previously mentioned, have been made for the tax years 2021/22 and subsequently.

Contributed by Robert Jamieson