

Restriction of deduction in respect of running expenses of cars. FA76 s32; FA95 s23(2); FA97 s21(2)
376.—(1) In this section—

“qualifying expenditure” means the amount of expenditure incurred in relation to a vehicle to which this Part applies, being expenditure which but for this section—

(a) would be allowable as a deduction—

(i) in the computation of the profits or gains chargeable to tax under Schedule D of the trade, profession or business in the course of which the vehicle is used, or

(ii) in the computation of the profits or gains chargeable to tax under Schedule E from an office or employment in the performance of the duties of which the vehicle is used,

or

(b) would be taken into account for the purposes of a claim in respect of expenses of management under section 83 or under that section as applied by section 707;

“relevant amount” means—

(a) in relation to qualifying expenditure incurred before the 23rd day of January, 1997, £14,000, and

(b) in relation to qualifying expenditure incurred on or after the 23rd day of January, 1997, £15,000;

“relevant cost”, in relation to a vehicle provided for the purposes of a trade, profession, business, office or employment, means—

(a) in a case where the vehicle is purchased by the person providing it, the actual cost to that person of providing the vehicle, or

(b) in a case where the vehicle is not purchased by the person providing it, the retail price of the vehicle at the time it was first provided for use by that person.

(2) (a) Where for any year of assessment or accounting period a deduction is claimed by any person in respect of qualifying expenditure and that expenditure is incurred in respect of a vehicle the relevant cost of which exceeds the relevant amount, the amount of the deduction to be allowed in respect of that qualifying expenditure shall be reduced—

(i) subject to paragraph (b), by one-third of the amount by which the relevant cost of the vehicle exceeds the relevant amount, or

(ii) where that person so elects, by an amount which bears to the amount of the qualifying expenditure

the same proportion as the excess of the relevant cost of the vehicle over the relevant amount bears to the relevant cost of the vehicle.

(b) Where paragraph (a)(i) applies and the period in respect of which the qualifying expenditure is incurred is part only of a year, the amount by which the deduction is to be reduced for that period by virtue of paragraph (a)(i) shall be reduced in the proportion which that part of the year bears to a year.