



Technical Briefing



COMPANY CAR TAX

THE BASIS FOR TAXING THOSE WHO USE COMPANY CARS IS TO TAX A FIGURE CALCULATED BY MULTIPLYING THE CAR'S LIST PRICE BY AN EMISSIONS BASED PERCENTAGE (THE "APPROPRIATE PERCENTAGE"), WITH A 3% SURCHARGE ON DIESEL POWERED CARS.

The maximum taxable value of the benefit is 35% of the list price of the car when first registered. The list price includes car tax (if applicable), Value Added Tax and delivery charges.

Cars emitting CO₂ at or below a specified level are taxed on 15% of the list price. This is the usual minimum charge and will apply up to an emission level of 114 g/km.

Cars running solely on diesel fuel are subject to a 3% supplement.

For cars which cannot produce CO₂ emissions under any circumstances when driven, the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge for "electric cars" to nil.

For cars emitting between 1 and 75 g/km the appropriate percentage is reduced to 5% until 5 April 2015.

Cars with higher levels of CO₂ emission are taxed on a graduated scale rising to a maximum (for both petrol and diesel) of 35% of the car's price. The detailed figures are shown in the Company Car Tax Table on page 4. These figures apply to all company cars, including second cars.

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CO₂ EMISSION INFORMATION

For all cars first registered from at least November 2000, the definitive CO₂ emissions figure for tax purposes is recorded on the Vehicle Registration Document (V5). Under an agreement with HM Revenue & Customs (HMRC), the Society of Motor Manufacturers and Traders (SMMT) is providing a CO₂ emissions enquiry service on their website at www.smmt.co.uk for cars first registered from January 1998.

OLDER CARS

Cars first registered before January 1998, for which there are no reliable CO₂ emissions data, will be taxed according to their engine size, as follows:

Engine Size (cc)	Percentage of car's price charged to tax
Up to 1400	15%
1401 – 2000	22%
Over 2000	32%



CAR FUEL BENEFIT

Where the employer pays for any fuel used privately by the employee, there is an additional benefit charge calculated by applying the CO₂ based car benefit percentage to the car fuel benefit charge multiplier of £21,700 (2014-15).

EMPLOYEE CONTRIBUTIONS

Where the employee is required, as a condition of the car being made available, to pay for the private use of a car the value of the benefit is reduced accordingly (on a pound for pound basis). Capital contributions of up to £5,000 made by employees towards the cost of the car and/or accessories, when the car is first made available, will reduce its price for tax purposes.

By contrast it is "all or nothing" for the car fuel benefit charge, which remains at the full value unless the employee pays for **all** private fuel!

HMRC publishes advisory fuel rates for company cars which will be accepted either for employers reimbursing employees for the cost of fuel for business mileage, or for employees reimbursing employers for the cost of fuel for private mileage. Alternative rates may be negotiated, for example when it is necessary for the performance of his or her duties that an employee uses a four wheel drive vehicle, a higher rate per mile might be agreed due to the typically higher fuel consumption of such vehicles.

ADVISORY FUEL RATES (FROM 1 SEPT 2014)



Engine size	Petrol	Diesel	LPG
1400cc or less	13p	11p	9p
1401cc to 1600cc	16p	11p	11p
1601cc to 2000cc	16p	13p	11p
Over 2000cc	23p	16p	16p

TAX PAYABLE

These standard charges are subject to Income Tax at basic, higher or additional rate (depending on the employee's rate of pay). The tax is usually collected under the PAYE system by appropriate adjustment of the employee's tax code.

For the benefit to be attractive, the employee must pay less in extra tax than it would cost him to run his own car out of his taxed

income. The following table shows examples of the 2014-15 tax costs to an employee of a company car.

List Price	Engine Size cc	CO ₂ * g/km	Tax Rate 20%				Tax Rate 40%				Tax Rate 45%			
			Petrol		Diesel		Petrol		Diesel		Petrol		Diesel	
			Car £	Fuel £	Car £	Fuel £	Car £	Fuel £	Car £	Fuel £	Car £	Fuel £	Car £	Fuel £
£13,000	1800	160	650	1,085	728	1,215	1,300	2,170	1,456	2,430	1,463	2,411	1,638	2,734
£18,000	1300	198	1,152	1,519	1,260	1,519	2,304	3,038	2,520	3,038	2,592	3,418	2,835	3,418
£25,000	3000	235	1,750	1,519	1,750	1,519	3,500	3,038	3,500	3,038	3,938	3,418	3,938	3,418

*CO₂ emissions g/km

TAX FREE BENEFITS

Car Parking

The provision of a car parking space at or near the employee's place of work is not an assessable benefit.

Pooled Cars

There is no tax for using a pooled car. This is one where private use is merely incidental to the business use, and it is not normally used by one employee to the exclusion of all others.

Please note: A pooled car must not normally be kept overnight at or near an employee's home.

'Lower Paid' Employees

The provision of a car for an employee (NOT a director) who is paid at a rate below £8,500 per year (including the value of benefits) does NOT attract any charge to Income Tax. Nor is there any charge on fuel for private use provided to such employees.

Special Consideration for Sole Traders

If your spouse is employed in your business (but not as a partner), it can be very tax efficient to provide them with a car, as long as they earn well below £8,500. The use of the car can be tax free in their hands, and the business will get full tax relief on all the expenses connected with the car, provided you can demonstrate the car is necessary for business purposes.



BUSINESS USE OF EMPLOYEES' OWN VEHICLES

It is quite normal practice for employees to be reimbursed at a reasonable mileage rate for business use of their own vehicles. This section explains the tax and National Insurance position. A statutory system of Approved Mileage Allowance Payments (AMAPs) applies for employees using their own vehicles for business journeys, as follows:

Cars and vans	• On the first 10,000 miles in the tax year	45p per mile
	• Additional miles above this	25p per mile
Motorcycles		24p per mile
Bicycles		20p per mile

It is no longer possible to make a claim for tax relief based on the actual receipted bills, nor claim capital allowances or interest on loans related to car purchases.

Unless the employee is reimbursed at a rate higher than the AMAP rate, the payments do not need to be reported on a P11D. If the employer pays less than these rates, it is possible for the employee to claim tax relief for the shortfall (Mileage Allowance Relief).

Rates of up to 5p per mile, per passenger, are also tax and NICs free when paid for the carriage of fellow employees on the same business trip. From April 2011 allowances for passenger payments have been extended to volunteers.

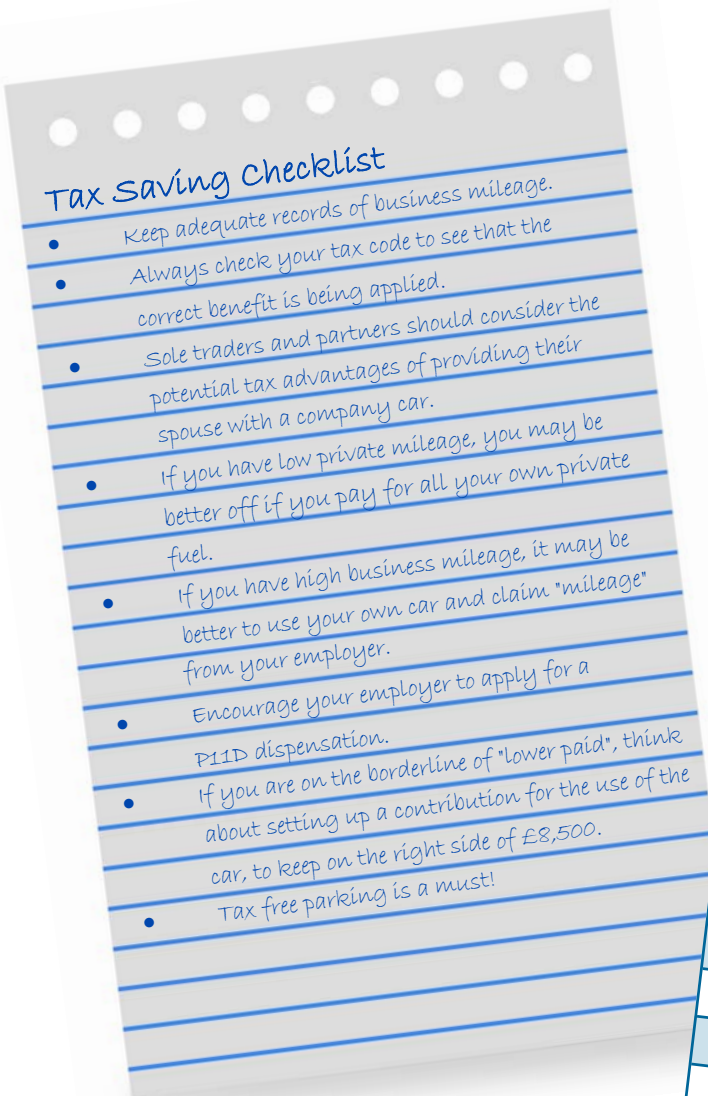
COMPANY VANS

The taxable benefit for the unrestricted use of vans will be £3,090. There is a further £581 of taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	2014-15
Tax (20% taxpayer)	£734.20
Tax (40% taxpayer)	£1,468.40
Tax (45% taxpayer)	£1,651.95
Employer's Class 1A NICs	£506.60

Van drivers can avoid the benefit in kind charge of £3,090 per year, if they agree only to use the van for incidental private use. Driving to and from work is acceptable as long as there is a reasonable amount of business use. It is advisable to keep a regular check on the vehicle's mileage to ensure the 'only for business rule' is kept.

The flat rate is reduced to nil for vans emitting zero CO₂ (e.g. "electric vans"). There is no fuel benefit for such vans.



CO ₂ emissions (g/km)	Appropriate percentage	
	Petrol %	Diesel %
1 - 75	5	8
76 - 94	11	14
95 - 99	12	15
100 - 104	13	16
105 - 109	14	17
110 - 114	15	18
115 - 119	16	19
120 - 124	17	20
125 - 129	18	21
130 - 134	19	22
135 - 139	20	23
140 - 144	21	24
145 - 149	22	25
150 - 154	23	26
155 - 159	24	27
160 - 164	25	28
165 - 169	26	29
170 - 174	27	30
175 - 179	28	31
180 - 184	29	32
185 - 189	30	33
190 - 194	31	34
195 - 199	32	35
200 - 204	33	
205 - 209	34	
210 and above	35	