Company Car and Van Tax

2016-17

Professor Colin Tourick

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Professor Colin Tourick

FOREWORD

This is the sixth edition of **Company Car and Van Tax**.

It sets out the detailed tax rules, rates and allowances for 2016-17 and will be of interest to you if you are a fleet manager, fleet industry professional or an employee who drives a company car or your own car on company business.

This book is based on the Budget presented to Parliament by the Chancellor of the Exchequer on 16 March 2016.

Company Car and Van Tax is the supplement to a large book on leasing and fleet management called **Managing Your Company Cars**. If you would like to know more about the financial products mentioned in this book or about other aspects of fleet management you may wish to obtain a copy of that book which is available from Amazon, tourick.com and all good bookshops.

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London

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BUDGET 2016

This book was updated immediately after the Chancellor's Budget Day speech on 16 March 2016. The reader should be mindful that changes may be made during the passage of the Finance Bill through Parliament that may affect the contents of this book.

This is a summary of the key changes that were announced in the Budget:

VEHICLE EXCISE DUTY

- The existing 13 band structure remains unchanged.
- Rates for cars, vans, motorcycles and motorcycle trade licences will increase in line with the Retail Price Index (RPI) from 1 April 2016 and in subsequent years.
- VED and Road User Levy for HGVs will be frozen in 2016 to 2017.

CAR BENEFIT IN KIND TAX

- The 'appropriate percentages' of list price for 2016-17 and the following years had already been announced in previous budgets.
- From 6 April 2019, the 'appropriate percentage' for car benefit in kind calculations will be:

  – 16% for (emissions of 0-50g CO_2 per km)

  – 19% (51-75g CO_2 per km)

  – 22% (76g-94g CO_2 per km)

  and all bands above 94g/km will rise by 3% (for each 5% rise in emissions to a maximum of 37%).
- A 3% difference will remain between the 0-50, 51-75 and 76-96g/km bands.
- For cars without a CO_2 emissions figure or cars first registered before 1 January 1998, the appropriate percentages from 6 April 2019 will be:

  – 23% (up to 1,400cc)

  – 34% (between 1,400cc and 2,000cc) and

  – 37% (above 2,000cc)
- The appropriate percentage for cars with neither a CO_2 emissions figure nor an engine cylinder capacity and which cannot produce any CO_2 emissions in any circumstances will be:

- 9% from 6 April 2017
- 13% from 6 April 2018 and
- 16% from 6 April 2019

- From 2020 to 2021 company car tax will continue to be based on CO_2. The government will consult on reforming of the bands for vehicles emitting less than 75g/km of CO_2.

VAN BENEFIT CHARGE

- For 2016-17 and 2017-18 the van benefit charge for zero-emission vans will be equal to 20% of the benefit charge for vans that emit CO_2. This will rise on a tapered basis to 5 April 2022.

  This defers by one year, to 2018-19, the planned increase to 40% of the van benefit charge for conventionally-fuelled vans.
- Van benefit charge will rise by RPI from 6 April 2017 based on September 2016 RPI.
- Van benefit charge will be reviewed again in Budget 2018.

CAR AND VAN FUEL BENEFIT CHARGE

- Fuel benefit charge multipliers for company cars and vans will increase in line with RPI from 6 April 2017.

APPROVED MILEAGE ALLOWANCE PAYMENTS (AMAPs)

- These remain at 45p for the first 10,000 business miles and 25p thereafter.

CAPITAL ALLOWANCES

- 100% first-year allowances (FYA) will be available to businesses purchasing low emission cars for a further three years to April 2021. The CO_2 threshold for FYAs will reduce from 75g/km to 50g/km from April 2018.
- The CO_2 threshold for business cars for the main rate of capital allowances will reduce from 130g/km to 110g/km from April 2018.
- The government will review the case for FYAs and emission thresholds from 2021 at Budget 2019.

CORPORATION TAX RATE

- The main corporation tax main rate will be reduced by an additional 1% from 1 April 2020 to 17%,
- Companies with profits above £20m will be required to pay corporation tax quarterly for accounting periods commencing on or after 1 April 2019.

FUEL DUTY

- Fuel duty rates will remain frozen for 2016 to 2017.
- Road fuel duty for aqua methanol will reduce to 7.9p per litre from 1 October 2016.

VAT

- The VAT registration threshold was increased from £82,000 to £83,000 of taxable turnover.
- A taxpayer may apply for deregistration if taxable turnover falls below £81,000 (was £80,000).

INCOME TAX

- Personal allowances will be increased to £11,000 for 2016-17 and to £11,500 for 2017-18.
- The basic rate threshold will rise to £32,000 (2016-17) and £33,500 (2017-18) and the higher rate threshold will rise to £43,000 (2016-17) and £43,500 (2017-18).
- There will also be a tax-free Personal Savings Allowance of £1,000 of interest for basic rate taxpayers or £500 for higher rate taxpayers.
- As already announced, date of birth will no longer affect personal allowances from 2016-17.
- To reflect the move to the 'English Votes for English Laws' procedure, the rates of income tax for savings UK-wide are to be renamed 'savings basic', 'savings additional' and 'savings higher'. The main rates of income tax will apply to the non-savings, non-dividend income of any UK resident who is not subject to the Scottish rate of income tax. Any other party not subject to the main UK or the Scottish income tax (e.g. non-UK resident companies and non-UK resident individuals) will pay a default rate of income tax on their non-savings, non-dividend income.

NATIONAL INSURANCE

- Class 1A contributions continue to be payable at 13.8% of the taxable value.

SALARY SACRIFICE

- The government is considering limiting the range of benefits that attract income tax and National Insurance contribution (NICs) advantages when provided as part of salary sacrifice schemes. This will not affect pension saving, childcare, and health-related benefits (e.g. Cycle to Work). However, salary sacrifice for cars was not mentioned, opening the possibility of future rule changes affecting these schemes.

TRAVEL AND SUBSISTENCE EXPENSES RULES

- Following a review, HMRC has decided to retain the general rules on travel and subsistence expenses. However, from 6 April 2016 travel and subsistence expenses can no longer be provided free from income tax/NIC if they are offered in conjunction with a salary sacrifice arrangement.
- The travel and subsistence rules changed from 6 April 2016 for workers providing their services through certain employment intermediaries (including employment business, umbrella companies, and personal service companies).
- The detail of the changes is outside the scope of this book, but if you believe you may be affected. See https://goo.gl/WOUHi7

INTRODUCTION

It isn't easy to run a fleet of company cars. You need to know about procurement, financial products, HR policies, health and safety and a raft of other issues. Almost every decision you make about your fleet – the cars you choose, the method of finance you use and the way you pay for fuel and services – has a tax impact.

There are several taxes at work here:

- VAT
- income tax
- corporation tax
- fuel duty
- vehicle excise duty and
- national insurance contributions.

As a fleet manager you need to understand how these taxes will affect the way you run your fleet.

This book looks first at the employer's tax position. Historically, that has been the first priority for any fleet manager.

We will then go on to look at the employee's position. Ever since the CO_2-based car benefit tax regime was introduced, fleet managers have needed to understand much more about the employee's tax position so they can make fleet policy decisions that their employees will find acceptable.

1 THE EMPLOYER'S TAX POSITION

1.1 MOTOR EXPENSES

Typically, your company will be able to obtain corporation tax relief on motoring expenses as they are incurred. These expenses include motor insurance, road tax, servicing, maintenance and repair costs.

Tax relief for motoring expenses is given on the normal accounting basis. The expenditure has to be allocated to the period to which it relates and it is dealt with on an 'accruals' rather than a 'paid' basis.

So if a motor insurance premium relates to the year commencing 1 December and the company has a 31 December year-end and the bill has not been paid by that date, one twelfth of the premium will be allowable for corporation tax regardless of the fact that the premium has yet to be paid. The same rule applies for income tax where the business is a partnership or sole trader.

1.2 CAPITAL ALLOWANCES

Background

Companies pay corporation tax on their profits. However, before applying this year's corporation tax rate to this year's profits to determine the corporation tax liability, some adjustments need to be made. The one that concerns us here is the adjustment for depreciation.

Which takes us to the question; what is depreciation?

Depreciation can be defined as the amount of the value of an asset (in this case a vehicle) that has been used up in a particular period.

An example may help:

- You buy a car on the first day of the company's financial year for £15,000 and plan to keep it for three years.
- You expect to sell it at the end of the third year for £6,000.

If you were to put the car in your books at £15,000 and simply do nothing for three years you would show a loss in your books ('depreciation') of £9,000 on sale.

However, this does not feel comfortable or right because, in the interim, you will have shown two years of profits that have not reflected the fact that the vehicle was in use and that you 'used up' part of the vehicle's value in creating that profit.

So clearly you need to show that you used up some of the vehicle's value in years 1 and 2 (or, in accounting parlance, you need to 'provide for depreciation' in these years). The question is, how much?

One approach would be to say that you expect to 'lose' £9,000 of value over three years, so you should set aside £3,000 each year. Nice and simple.

Another approach would be to say that the vehicle's market value will be £11,000 at the end of year one, £8,500 at the end of year two and £6,000 at the end of year three so you should set aside £4,000, £2,500 and £2,500 respectively.

There are other amounts that could be proposed but we need not go into these here. The key point is that if companies were allowed to deduct depreciation from their profits before their tax liability was calculated, it would mean they would have a hand in determining their own tax liabilities. The government doesn't like the idea that every company could adopt different depreciation policies and could therefore arrive at different amounts of tax payable. So they do not allow companies to include any depreciation whatsoever in their tax calculations.

Therefore, if depreciation has been provided in your company's accounts before arriving at the year's profit, it has to be added back to the profits before the corporation tax liability is calculated. Instead of this depreciation, HM Revenue & Customs allows you to provide for depreciation for tax purposes using a standard method of depreciation that is called 'capital allowances'.

Capital allowances, rather than depreciation, are deducted from your accounting profits before arriving at your taxable profit.

Capital allowances were first introduced in the Income Tax Act 1945. Successive governments have used them to encourage investment in the manufacturing industry and today the government uses them to encourage companies to reduce the emissions of company car fleets.

For capital allowance purposes[1] a car is defined as a mechanically propelled vehicle except a vehicle:

a) constructed in such a way that it is primarily suited for transporting goods of any sort, or
b) of a type which is not commonly used as a private vehicle and is not suitable for use as a private vehicle.

There are a number of vehicles that fall outside this definition and that are therefore not treated as cars for capital allowance purposes. They may still attract tax allowances elsewhere within the plant and machinery allowance rules. They include motorcycles, driving school cars fitted with dual controls, 'blue light' fire and police emergency vehicles, traditional London black taxis and double cab pick-ups capable of carrying a payload of one tonne or more.

Surprisingly, quad bikes are treated as cars for capital allowance purposes. This is because:

- they are not primarily suited for transporting goods and
- they are suitable for use as private vehicles and
- they are commonly used as such.

The cost of buying personalised car registrations does not qualify for capital allowances, although the small cost incurred in buying the physical number plate itself does qualify.

FIRST YEAR ALLOWANCES

Most assets can attract one of two types of capital allowance:

- first year allowances (FYAs) and
- writing down allowances.

Governments use first year allowances to encourage particular types of investment. The government has been using FYAs to encourage businesses to buy low-emission or electric cars. The CO_2 thresholds for the next three years are shown on the next page:

1 S268A CAA2001 – note, there is a Glossary at the end of this book

Tax year	Maximum CO_2 threshold for FYAs
2016-17	75g/km
2017-18	75g/km
2018-19	50g/km

Leasing companies are not permitted to claim 100% first year allowances on low-emissions cars.

A business that has the right to claim first year allowances may decide not to do so, perhaps because they don't have enough profits against which to offset the allowances. In this case, any balance of unclaimed first year allowance should be transferred to the main plant and machinery capital allowance pool where it will attract writing down allowances at 18% p.a.

WRITING DOWN ALLOWANCES

Writing down allowances (WDAs) on cars are available to any business carrying out a trade and incurring capital expenditure. The car must be used for the purpose of the trade.

If a lease does not exceed five years and the car cannot become the property of the lessee (i.e. where the lessee cannot take title to the car) the owner/lessor and not the lessee should be able to claim capital allowances. Leases normally include a clause that makes it clear that the owner/lessor, rather than the lessee, will claim the capital allowances.

The writing down allowance rules for cars changed in April 2009. As almost all of the cars acquired by fleets before that date have already been defleeted, the old rules are ignored here. They can be found on the HMRC website.[2]

Writing down allowances on cars are calculated by reference to the cars' CO_2 emissions.

You can find a car's CO_2 emissions on its V5C certificate or at http://carfueldata.dft.gov.uk.

For 2016-17, cars emitting 76-130g/km of CO2 attract an 18% writing down allowance. Above this threshold the WDA is just 8%.

2 HMRC Manual CA23500 – Plant & Machinery Allowances (PMA): Cars

The allowance is given on the 'reducing balance' basis. This means that every year the 18% (or 8%) is applied to:

- the cost of new cars that have gone into the pool, plus
- the value in the pool that was brought forward from the previous year, less
- the value of any sales proceeds received during the year.

These cars go into the main plant and machinery capital allowance 'pool', rather than being accounted for as individual assets. Therefore the purchase prices of all cars and most other plant and machinery are accounted for together, with a standard 18% writing down allowance being calculated on the total balance that is in the pool at the year-end.

Cars emitting over 130g/km go into a separate pool and attract an 8% writing down allowance.

When assets are sold the proceeds are deducted from the total balance of the pool, leaving a smaller amount of 'unrelieved balance' on which to calculate writing down allowances at the year-end. If the disposal proceeds are greater than the 'unrelieved balance' of the pool then the excess amount will give rise to a taxable 'balancing charge'.

In other words, the fact that the business has sold the car does not necessarily mean it stops receiving writing down allowances. What actually happens depends on the overall behaviour of the pool.

Example:

A company buys a car for £10,000 on the first day of its tax year, holds it for three years then sells it for £2,900 on the last day of its tax year. Let us assume the car qualifies for an 18% writing down allowance and is used solely for business purposes.

The capital allowance calculation for that car will be as follows:

	£
Year 1	
Cost	10,000
WDA 18% x £10,000	1,800
Carried forward	8,200
Year 2	
WDA 18% x £8,200	1,476
Carried forward	6,724
Year 3	
Sale proceeds	2,900
Sub-total	3,824
WDA 18% x £3,824	688
Carried forward	3,136

So at the end of year 3 there is still a £3,136 unrelieved balance available for the business to claim. Over the ensuing years it will obtain tax relief on this amount at 18% p.a. on a reducing balance basis.

This example has been presented as though there is only one asset in the pool. In practice, a pool may contain many assets and the purchase and sale prices of those assets would affect the overall balance of the pool.

For example, if the company had sold an asset for a particularly large amount, this might well have brought the unrelieved balance in the whole pool down to zero.

These rules do not include the concept of a 'balancing allowance' or 'balancing charge' on a particular car (unless the vehicle is in a single asset pool because it is being driven by a sole trader or partner in a partnership and there is an element of private use – see below). So if the sale proceeds are less than the unrelieved balance, the car will continue to be depreciated on a reducing balance basis and it will take many years for the business to receive full tax relief on the depreciation.

When using discounted cash flow (DCF) calculations to help decide whether to lease or buy a vehicle it is important look at the behaviour of the pool to determine the cash flows that will actually arise on a particular car. [See **Managing Your Company Cars** or **Do The Maths – How To Decide Whether To Lease Or Buy**, both by the same author]

PRIVATE USE BY A SOLE TRADER OR PARTNER

Under the income tax rules, if a car is not used exclusively for business purposes – perhaps because the proprietor of the business or the partner in a partnership uses it for commuting – any first year allowance or writing down allowance claim must be reduced in proportion to the amount of private use.

If the car qualifies for first year allowances the amount claimed in the year of purchase will simply be reduced by the proportion of private use.

If the car qualifies for writing down allowances, it will go into its own special pool. The initial capital allowance calculation will be identical to the one shown above but the actual WDA claim will be restricted to the business-use proportion.

The example below assumes the car is subject to 50% private use.

Under the corporation tax rules, if a car is not used exclusively for business purposes – perhaps because the company car driver uses it for commuting – the company can still claim the full amount of capital allowances as if there was no private use.

	£	Disallowed %	WDA Claim £
Year 1			
Cost	10,000		
WDA 18%	1,800	50%	900
Carried forward	8,200		
Year 2			
WDA 18%	1,476	50%	738
Carried forward	6,724		
Year 3			
Sale proceeds	2,900		
Sub-total	3,824		
WDA 18%	688	50%	344
Carried forward	3,136		

PERIODS LESS THAN OR GREATER THAN ONE YEAR

If trade starts or stops part way through an accounting year, the writing down allowances are reduced pro-rata to the period of trade.

If the accounting period for a company is more than twelve months it will be divided for writing down allowance purposes into two accounting periods, each of a maximum of twelve months.

However, if the business is a partnership or a sole trader, the accounting period can exceed twelve months for capital allowance purposes and the writing down allowance will be increased pro-rata.

VERY EXPENSIVE CARS

As we have seen, capital allowances are a method whereby your business can obtain tax relief for the capital expenditure it incurs on assets that are to be used in the business.

If you buy an expensive car that blatantly exceeds the type of vehicle needed by the business, HM Revenue & Customs will seek to reduce the level of capital allowances you can claim. They will argue that the choice of car has more to do with the personal choice of the driver (usually the owner of the business) rather than the needs of the business itself. They have case law to support this approach.[3]

In determining whether to allow the business to claim full capital allowances on such a vehicle, HMRC will consider:

- the size and type of car
- the nature of the business
- the extent to which the car is used for business purposes
- the relationship between the cost of the car and the turnover of the business.

A very expensive car that is bought 'on the business' but rarely used for the purposes of the business is likely to be denied full capital allowances. On the other hand, if the same vehicle is used for a substantial level of business mileage you are likely to be granted full capital allowances without restriction.

3 G H Chambers (Northiam Farms) Ltd vs Watmough, 36TC711

1.3 IF THE EMPLOYER LEASES A VEHICLE

CARS

As with other[4] motoring expenses, tax relief on contract hire and operating lease rentals is given on the 'accruals basis'.

Many leases require that you make a lump sum payment on inception of the contract. This protects the lessor against your default. Rather than allowing you tax relief on the lump sum payment when it is paid, HM Revenue & Customs requires that for tax purposes the lease rentals should be spread evenly over the period of the lease. This will normally match your accounting treatment.

The Revenue published Statement of Practice 3 (SP3/91) in 1991. This statutory provision says that when determining how tax relief will be given for finance lease rentals, uneven rentals must be spread evenly over the period of the lease and then split into interest and capital repayment elements. To calculate the interest element you may use the Rule of 78, the actuarial method or, for small leases, the straight-line method.[5]

If you use the Rule of 78 or the actuarial method, interest costs will be higher in the earlier part of the lease, so you will receive more tax relief on interest in this period.

Where a company car's CO_2 emissions exceed 130g/km, 15% of the lease rental is disallowed.[6,7] Below this threshold the rental is fully tax-deductible.

If the lessee is unable to recover input VAT in full (perhaps because they are an insurance company or bank and are partially-exempt for VAT purposes[8]), the 15% restriction will apply to the total cost they incur, including any irrecoverable VAT.

Maintenance expenditure included in the rental is always fully tax-deductible so long as it is shown separately on the rental agreement.

4 See 1.1.

5 These are explained in detail in Managing Your Company Cars, 3rd edition and Do The Maths.

6 ITTOIA 2005/S48, CTA 2009/ S56 and 1251 and ICTA 1988/S76ZN

7 Was 160g/km prior to April 2013.

8 See 1.4.

It is not unusual for there to be a chain of leases between the owner of a vehicle and the end-user that actually drives and operates the car. For example, a bank may lease a car to a contract hire company that then leases it on to a company for use as a company car. In these situations, the 15% restriction only applies to the last lease in the chain and the rental will be fully tax-deductible for any intermediate parties.

If a daily hire (car rental) company leases a car from a lessor and then hires it out on short term hire, the rental paid to that lessor is fully tax-deductible.

If a lessee hires a car for a short period (not more than 45 days) for use in their own business, the rental they pay is fully tax-deductible.

These rules apply to all types of leased car but they don't apply to electric cars or to any car first registered before 1 March 2001[9].

If a leased car is off the road (perhaps because of an accident) and the lessor provides a replacement for a period, the replacement is treated as if it was the lessee's main car when determining whether the 15% restriction should apply.

So, for example, if the lessee's main car has CO_2 emissions of 125g/km (and therefore the rent is fully tax-deductible) and it is replaced for a short period by a car with emissions exceeding the 130g/km threshold (where only 85% of the rent would normally be tax-deductible), the 15% restriction will not apply and the lease rentals will continue to be fully tax-deductible.[10]

The legislation contains anti-avoidance provisions to ensure that lessees do not deliberately hire cars in 'creative' ways to try to avoid the 15% restriction.[11]

MOTORCYCLES

The rental payable on any motorcycle[12] leased from 1 April 2009 (by companies) or 6 April 2009 (by sole traders and partnerships) is fully tax deductible.

9 ITTOIA 2005 / S48 & CTA 2009/S56

10 ITTOIA 2005/ S50A (8) and CTA 2009 / S 58A (8)

11 ITTOIA/S 50A (5) & CTA 2009/ S 58A (5)

12 Definition: s185 (1) Road Traffic Act 1988

1.4 VAT

VAT on purchase and sale of vehicles[13]

For VAT purposes a car is a motor vehicle if it has:

- more than three wheels, and
- is of a kind normally used on the roads, and
- is built or adapted for the carriage of passengers, or
- has rear roofed accommodation and side windows.

This definition therefore excludes caravans, ambulances, mobile shops, breakdown recovery vehicles, prison vans, vehicles designed to carry only one person or more than 12 people in total, and vehicles weighing 3 tonnes or more (unladen) or with a payload capacity of 1 tonne or more of cargo.

VAT qualifying and VAT blocked cars

If you buy a car for business use you can recover 100% of the VAT paid on the purchase (the input VAT) so long as the vehicle is not available for private use. For this purpose, 'private use' includes any arrangement whereby the vehicle could be used for commuting or could be parked at the driver's home overnight.

A car on which VAT has been so recovered is described as a 'VAT qualifying' car. A car on which recovery has been 'blocked' is subsequently described as a 'VAT non-qualifying' car.

Once a car has become non-qualifying it retains this status forever.

When a VAT qualifying car is sold the vendor has to charge VAT (output tax) on the sale price and has to account for this to HM Revenue & Customs.

Buyers do not pay more for VAT qualifying cars, so sellers have to pay 20% ÷ 120% (i.e. one sixth) of the gross selling price of the car to HMRC.

In practice, input VAT can only be recovered on the purchase of a car when the primary use of the vehicle is:

- for self-drive hire, or
- as a taxi, or
- for driving instruction, or

13 The starting point for anyone wanting clarification on the VAT rules is 'The VAT Guide' Notice 700 issued by HM Revenue & Customs

- when it is used exclusively for business purposes, for example by a leasing company or by a corporate fleet as a pool car.

A pool car is one that is not allocated to any individual and is normally kept at the company's place of business rather than an employee's home (i.e. it is unavailable for private use). HMRC will expect the employer to have a written policy and to maintain a log of the car's use in order to substantiate the fact that it is indeed a pool car.

In any other circumstances the car will be treated as available for private purposes and therefore the VAT incurred on its purchase cannot be recovered (i.e. it is 'blocked'). Typically, most company cars are VAT blocked.

You cannot recover VAT on the cost of accessories when they are supplied together as part of a single supply of a VAT blocked car, even if these accessories were invoiced separately.

When you sell a car on which you have incurred VAT that you have been unable to recover (because it was blocked from recovery), the sale proceeds will be exempt for VAT purposes and any VAT you incurred on collection, delivery, auction fees, smart repairs or other disposal costs will be irrecoverable.

If you lease or purchase a car where there is to be no private use (i.e. a car where you can recover the VAT incurred on the purchase) and you receive a volume-related bonus or a payment direct from the manufacturer or dealer, the credit note accompanying the bonus will reduce the amount of input VAT you can recover on the purchase. Input VAT recovery will be reduced by the VAT on the bonus received (i.e. by 20% ÷ 120% x 50% of the gross bonus). Generally, this will only apply to pool cars bought by large fleets or to cars bought by rental or leasing companies.

It sometimes happens that there is a change in the use of a VAT qualifying car during its life and the car starts to be used for private mileage. If this happens you must account for output VAT as soon as the change of use occurs by making a 'self supply charge'. The output VAT due on this 'self supply charge' must be calculated on the then-current market value of the car. Even though output tax has been accounted for, the recovery of the input tax is blocked. This situation might arise, for example, when you buy a pool car then subsequently issue it to a driver as their company car and allow them private use. The car then becomes a VAT non-qualifying car.

PARTIAL EXEMPTION

VAT exempt sales can cause a nasty problem for companies: partial exemption. Trading companies with a turnover exceeding the £83,000 VAT registration threshold, selling most types of goods and services, must charge output VAT on their sales. They are then able to recover all of the input tax they pay when buying goods and services. The normal situation is that all of the costs that the company incurs (and on which it pays VAT) relate entirely to the company making onward taxable supplies.

Partly VAT-exempt companies are not allowed to recover all of the input VAT on their purchases. This is because not all of their onward supplies are taxable. Instead, a partially exempt business can only recover a proportion of VAT incurred on overheads (often referred to as 'residual costs') as well as the full amount of VAT they incurred on those costs that can be wholly and directly linked to making taxable onward supplies.

The standard method for determining the recoverable proportion of VAT on overheads is to:

- add together the total standard, reduced rate and zero-rated sales, and
- divide the result by total sales (excluding certain categories of non-business and incidental sales income), then
- multiply the result by 100.

Here is an example of the 'standard' partial exemption method:

> A fleet operator has VAT exempt insurance commission income of £4 million and taxable leasing income of £10 million.
>
> It pays £2m + VAT per annum for goods and services that cannot be 'directly attributed' to the taxable or exempt sales (e.g. overheads).
>
> The company is only allowed to recover a percentage of the VAT incurred on these 'non-attributable' costs, calculated as shown above. In this case the proportion is 10,000,000 ÷ 14,000,000 x 100 = 72%.
>
> Therefore the VAT incurred by the company on its residual costs is £2,000,000 x 20% x 28% = £112,000, and this amount of VAT will be irrecoverable.

Partial exemption is a complex area of VAT. For further details, a good starting point is to refer to HMRC's guidance, *HMRC Reference: Notice 706 'Partial Exemption'.*

VANS

If you buy a van for business use, the input VAT you pay on the purchase will be fully recoverable.

When you sell a van on which VAT has been recovered, VAT must be charged on the full selling price. As the market selling price for cars and vans is a gross (VAT inclusive) value, the output tax is one sixth of the sale price (i.e. 20% ÷ 120% x the gross sale price).

Most businesses are unable to recover the input VAT they incur when buying a car but they are allowed to reclaim the input VAT on the purchase of a commercial vehicle.

Legislation in 1992 defined the dividing line between cars and commercial vehicles for VAT purposes.[14]

Most vans are clearly commercial vehicles for VAT purposes, in that they have metal side panels behind the front seats, a load area that is unsuitable for carrying passengers and no rear seats. However, some vehicles – 'car-derived vans' – look like cars but the manufacturer (or a bodyshop) has taken the body of a car and turned it into a van. For example, the rear seats have been removed, a load area has been created and the rear windows have been blocked out.

HMRC will view such a vehicle as a van if, after conversion:

- it meets their technical specification of a van,
- it can function as a commercial vehicle (though just removing the rear seat would not be adequate), and
- the load space is unsuitable for carrying passengers.

The HMRC website provides more information on this.[15] If you are uncertain whether you can recover VAT on a car-derived van, you should ask the supplier to confirm that the vehicle meets HMRC's technical criteria. If the car-derived van was first registered before 1 October 2003 it is unlikely that it will satisfy all the criteria set out in HMRC's guidance but if it looks like a car-derived van as set out above HMRC will allow the vehicle to be treated as a van for VAT purposes.

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14 Value Added Tax (Cars) Order 1992

15 www.hmrc.gov.uk/manuals/vitmanual/vit50600.htm#IDAUXU1H

HMRC also issues guidance on the VAT treatment of 'combination vans'. These vehicles look like vans but have (or can have) rear passenger seats fitted. They are treated as cars for VAT purposes unless:

- they have a payload of more than one tonne, or
- the load area after the fitting of rear seats is larger than the passenger area, and therefore the load area is large enough for the predominant use of the vehicle to be the carriage of goods.

Light commercial vehicles with **double-cabs** (four-door pick-up trucks) have a second row of seats, can seat four passengers plus the driver and have an uncovered area behind the cab. They are suitable for private use but that doesn't automatically mean they are taxed the same way as company cars. Indeed there was initially much discussion about whether these were cars or vans for income tax and VAT purposes.

HMRC acknowledge that when they try to establish the predominant purpose of construction, these vehicles present them with a challenge because on the surface many double-cabs appear to be equally suited to convey passengers or goods. Hence HMRC cannot come up with a single categorisation for all double-cab pick-ups or give a blanket ruling on any particular model, as the standard vehicle may have been adapted in the factory, by the dealer or after purchase. Therefore each case depends on the facts and the exact specification of the vehicle.

Generally, if a double-cab pick-up has a payload of 1 tonne (1,000kg) or more it will be accepted as a van for VAT and also for benefit in kind tax purposes. Payload means gross vehicle weight (or design weight) less unoccupied kerb weight.

Under a separate agreement between HMRC and the Society of Motor Manufacturers and Traders (SMMT), a hard top consisting of metal, fibre glass or similar material, with or without windows, is deemed to weigh 45kg. Under this agreement, the weight of all other optional accessories is disregarded. This approach applies for both VAT and benefit in kind tax purposes.

Potential purchasers can obtain advice about the payload of a particular model from the manufacturer or dealer.

Private use of vans

VAT is fully recoverable by the VAT-registered buyer of a lorry, van or other commercial vehicle when the vehicle is to be used for their business and any private use will be incidental.

However, if there will be more than minimal private use the business must apportion the VAT and can only reclaim the element relating to the business use. Alternatively they are allowed to recover the input tax in full and account for output tax each period. This is known as the Lennartz principle. See www.hmrc.gov.uk/manuals/vitmanual/VIT25510.htm

VAT ON MOTOR EXPENSES

VAT is fully recoverable by a business on any vehicle running costs that it pays, including servicing, repair, maintenance and petrol, even if there has been some private use.[16]

If you reimburse your employees for the fuel costs (and other expenses) they have incurred, you can recover the input tax paid so long as you reimburse them no more than the actual business-related expenditure they incurred. If they don't buy the fuel using a fuel card, debit card or credit card provided by their employer – i.e. cards that create a direct contractual relationship between the employer and the supplier – you will need to retain invoices or receipts covering the cost of all of the fuel that has been bought for business purposes.

HMRC accepts that there may be a mismatch between the business fuel reimbursement claimed by an employee in one month and the actual petrol receipts for that month, because, for example, the driver may have filled up the tank just before the month end. But they do expect that where reimbursement claims are made, these will be supported by receipts dated before the business miles were actually driven. Where a company does not issue fuel cards, the best option is probably to ask the driver to submit all their fuel receipts, covering both business and private mileage, because this will ensure that there are sufficient invoices on file to cover all of the business mileage in the period.

FREE PRIVATE FUEL

If your business pays for the fuel for a vehicle you can recover the input VAT in full so long as there has been no private use of the vehicle. However, if there has been any private use you may only recover the business element of the total input VAT you pay.

To calculate the amount of input tax you can recover you may choose to keep detailed records of the business and private mileage driven, calculate the percentage of business mileage and recover that percentage of the total input tax you have paid on the fuel.

16 See HM Revenue & Customs VAT Notice 700/64

Alternatively, if you prefer, you may recover all of the input tax and account to HMRC for output VAT on the fuel as if it was being sold to the employee. Rather than perform any complex calculations splitting the total mileage between business and private, this charge is based on a scale related to the vehicle's CO_2 emissions. The charge is paid on each VAT return and the following tables sets out the scale charge rate from 1 May 2016:

CO_2 emissions g/km	VAT inclusive consideration for these VAT accounting periods		
	12 month £	3 month £	1 month £
120 or less	£536	£133	£44
125	£802	£200	£66
130	£857	£213	£70
135	£909	£227	£75
140	£965	£240	£80
145	£1,016	£254	£84
150	£1,072	£267	£88
155	£1,123	£281	£93
160	£1,179	£294	£97
165	£1,231	£308	£102
170	£1,286	£320	£106
175	£1,338	£334	£111
180	£1,393	£347	£115
185	£1,445	£361	£119
190	£1,501	£374	£124
195	£1,552	£388	£129
200	£1,608	£401	£133
205	£1,660	£415	£138
210	£1,715	£428	£142
215	£1,767	£441	£146
220	£1,822	£455	£151
225 or more	£1,874	£468	£155

The figures in the table opposite are the VAT-inclusive amounts. Section 5 – Tax Rates and Allowances – shows the amounts of VAT to pay and the net chargeable amounts.

You should choose the appropriate charge by rounding down the CO_2 of your vehicle to the nearest 5g/km.

Dual fuel vehicles that can operate on, for example, LPG and petrol, have two published CO_2 emission figures. In this case the lower one should be used.

If all of the fuel is used for business purposes the scale charge will not apply.

Fuel is usually a general overhead cost of the business, so if your business is 'partially exempt' for VAT you will only be able to recover a proportion of the input VAT you pay on fuel. However, the full scale charge (and output tax thereon) is still payable. Any irrecoverable element of the VAT incurred on fuel will be a cost to the business.

As long as the VAT scale charges are applied (and subject to the partial exemption comments above) you can recover 100% of the VAT paid on the purchase of vehicle fuel, without adjusting for any private use.

Even though the scale charge simplifies the VAT calculation you must still record details of the cars for which free or cheap fuel has been supplied, the CO_2 emissions of those cars and the type of fuel they use (petrol, diesel, etc).

MILEAGE ALLOWANCE PAYMENTS

If you pay a mileage allowance to an employee for the business miles they drive, you can recover part of this cost as input VAT so long as you do not pay more than a 'reasonable amount'. For this purpose, the motoring cost tables published by motoring organisations are considered to be reasonable.

You need to keep records to substantiate this claim, including details of the vehicle, engine size, miles travelled and how you calculated the VAT recovery.

The calculation is:

$$\frac{\text{miles covered}}{\text{miles per litre}} \times \text{pence per litre } x\ 20.0 \div 120.0 = \text{input VAT recoverable}$$

To simplify this calculation you can use the advisory fuel rates published by HM Revenue & Customs.[17]

VAT ON FINANCE PAYMENTS

No VAT is charged on the instalments payable on hire purchase, lease purchase, contract purchase or conditional sale agreements. This is because the 'supply' of the vehicle for VAT purposes occurs at the time when the contract is entered into, rather than during the course of the agreement.

The supplier issues a VAT invoice at the start of the agreement to account for output tax on the whole value of the goods. The purchaser recovers the VAT on this invoice (subject to the partial exemption and 'blocking' rules already discussed), rather than during the life of the agreement as the instalments are actually paid.

If the car is returned to the supplier under a hire purchase, lease purchase, contract purchase, conditional sale or personal contract purchase (PCP) arrangement, the original price the car was sold for is adjusted for VAT purposes by the amount credited to the customer's account (generally the outstanding capital value on the agreement).

17 See 2.7

When this happens, the supplier will issue a credit note to the customer for this price adjustment. If the customer was able to recover the VAT incurred on the original purchase of the car, the credit note will result in an adjustment to the customer's input VAT recovery, giving rise to a repayment of the VAT on the credit note to HMRC. Where the customer was unable to recover the VAT because it was 'blocked' from recovery, the credit note is also effectively 'blocked' and there is no need to make a corresponding adjustment to the level of input VAT recovered on the agreement.

All VAT registered lessors must charge output VAT on their lease rentals and must show whether the car is VAT qualifying. This applies to all types of lease, including finance lease, contract hire, operating lease and personal contract hire agreements.

If you are a VAT-registered lessee, the input VAT you pay on the cars you hire on contract hire, operating lease or finance lease is fully recoverable so long as there is no private use.

If there is any element of private use you can recover only 50% of the input VAT on the lease rental and 50% of any excess mileage charges relating to the supply of the leased vehicle (though see below regarding maintenance). This amount of recoverable VAT will be shown on the leasing company's invoices for qualifying cars.

If you hire a car to temporarily replace a company car that is off the road, you can only recover 50% of the input tax shown on the rental. However, if you hire cars for other reasons you can recover 100% of the input VAT as long as the rental period does not exceed ten days.

If you lease a van you can recover the input VAT payable on the rentals in full. The 50% disallowance only applies to cars.

If your contract hire agreement contains a maintenance package covering servicing, repairs, maintenance etc, you can fully recover the input tax on this element of the rental regardless of whether there is any private use. For this reason all contract hire companies show their clients how the contract hire rental is divided between the maintenance and finance elements. The contract hire company's profit margin, overhead recovery and excess mileage charges have to be split between these elements pro-rata.

Motor insurances, including creditor insurance and gap insurance, are subject to insurance premium tax (IPT), not VAT. IPT is not recoverable for VAT purposes but is tax-deductible for corporation tax purposes.

If a lease or contract hire agreement is terminated early, the leasing company has two options:

1. If it wishes it can treat any early termination payment and rebate of rental as being fully taxable, in which case it will normally offset one against the other and raise a VAT invoice for the net amount. If this results in a charge to the lessee the 50% VAT block will not apply. However, if the rebate of rentals exceeds the termination amount chargeable and the lease had been the subject of a 50% VAT block, the lessee needs to account in their VAT return for 50% of the VAT on the credit note.
2. Alternatively, if it prefers, the leasing company can regard any early termination payment and rebate of rental as being totally outside the scope of VAT.

No VAT charge arises on any payment made by an employee for the private use of a company car where the employer has suffered a 50% input VAT restriction or where input VAT recovery was denied on the purchase of the car. If the employer recovered VAT on the purchase of the vehicle, or recovered 100% of the VAT on the lease rental, it follows that there is no private use.

However, if the use of the vehicle changes and the employee starts to be charged for private use, the employer has to account for output VAT on the purchase price of the car (if bought) or must stop recovering 50% of the input VAT on the rental (if leased).

1.5 CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

An employee who receives a company car is taxed on the 'cash equivalent value' of the car.[18] The employer must pay Class 1A national insurance contributions on these benefits, taking into account the car's CO_2 emissions, the fact that it may not be available for the whole year and the other adjustments described in 2.1.

Class 1A contributions are also payable if the employee receives free fuel and is taxed on the fuel scale charges.[19]

Class 1A NIC on emergency vehicles is calculated on the market value or the lease costs of the vehicle (whichever is the higher), plus any additional costs incurred, minus any contribution by the employee. As described in 2.1, some emergency vehicles may not attract Class 1A NIC.

18 See 2.1

19 See 2.8

1.6 ROAD FUEL DUTY

Road fuel duty has to be reviewed annually by the government as it is an 'ad valorem' tax. That is, the value is fixed in pence per litre rather than as a percentage of sale prices. If inflation were to soar away the government would still collect 20% of the value of most sales through VAT. But the government's tax–take on road fuel duty would remain the same in pence per litre unless they increased it annually.

In Budget 2016 the government announced that with effect from 1 October 2016 there would be a reduced rate of fuel duty on aqua-methanol, a new fuel that is 95% methanol and 5% water. By reducing the rate, the government hopes to incentivize the take up of this fuel, which is said to be greener and cleaner than petrol or diesel.

1.7 VEHICLE EXCISE DUTY

Considering that it is only one tax, this duty has a number of names.

It is still commonly called the road fund tax or road fund licence although these names technically disappeared years ago. Some call it 'car tax', as in 'I have to get my car taxed', yet it has never officially been given this name.

Members of the public often called it simply 'the tax disc' although presumably this name will disappear now that the paper tax disc has been abolished.

The correct name for this tax is the vehicle excise duty (VED).

VED rates are graduated and the amount payable depends on the date when the vehicle was first registered.

If a car or van was registered after 1 March 2001, VED is payable by reference to thirteen CO_2 bands A-M, as shown on the next page:

Band	CO_2 emissions *g/km*	12 months rate *£*	1st year rate *£*
A	Up to 100	£0.00	£0.00
B	101-110	£20.00	£0.00
C	111-120	£30.00	£0.00
D	121-130	£110.00	£0.00
E	131-140	£130.00	£130.00
F	141-150	£145.00	£145.00
G	151-165	£185.00	£185.00
H	166-175	£210.00	£300.00
I	176-185	£230.00	£355.00
J	186-200	£270.00	£500.00
K*	201-225	£295.00	£650.00
L	226-255	£500.00	£885.00
M	Over 255	£515.00	£1,120.00

These rates apply for both petrol and diesel cars.

* Band K includes cars emitting more than 225g/km first registered before 23 March 2006.

Budget 2014 introduced a rolling exemption from vehicle excise duty for classic vehicles built more than 40 years ago. Budget 2016 extended this measure permanently so that on 1 April each year vehicles built more than 40 years before 1 January in that year are exempt from VED. For 2016-17 the exemption applies to vehicles manufactured no later than 1 January 1976.

OTHER RATES OF VED IN 2016-17

VED for light commercial vehicles (not exceeding 3.5 tonnes):

	12 months' rate
Early Euro 4 and Euro 5 compliant light goods vehicles registered on or after 1 March 2001	£140.00
All other vans	£230.00

Motorcycle (with or without sidecar) VED

Engine size (cc)	12 months' rate
Not over 150	£17.00
151-400	£39.00
401-600	£60.00
Over 600	£82.00

Tricycle (not over 450kg unladen) VED

Engine size (cc)	12 months' rate
Tricycle not over 150	£17.00
All other tricycles	£82.00

Trade licences

Vehicle	12 months' rate
All vehicles	£165.00
Bicycles and tricycles (not over 450kg without sidecar)	£82.00

2 THE EMPLOYEE'S TAX POSITION

2.1 CARBON DIOXIDE BASED CAR BENEFIT TAX

Car benefit tax is payable by directors or employees whose total income from all sources, including the value of the benefit, exceeds their personal allowance. Previously a threshold of £8,500 would apply in order for any benefit in kind to be chargeable, but this has been removed with effect from 6 April 2016 for those who drive company cars that are made available for their private use, so long as there is no transfer of ownership of the vehicle to the employee.

For an employee to be subjected to car benefit tax the car has to be made available 'by reason of their employment' and must be available for private use. Therefore, it does not matter if the car is owned, leased or supplied by someone else.

The tax also applies if the car is made available to a member of the employee's family or household, including their civil partner, spouse, parents, children (and their children's spouses) and guests.

If the car is simply given to the employee as a gift or sold to them - i.e. there is a transfer of ownership – no car benefit arises.

Employee Car Ownership Schemes[20] rely on this provision in the tax law. They use credit sale agreements whereby title to the vehicle transfers to the driver from day 1, so no car benefit arises.

If the car is a gift or is sold at undervalue the employee will be taxed on the 'money's worth' they receive, which usually means the second-hand market value less any amount they pay for the car.

Car benefit tax is payable in full even if the employee part-owns the car.

No car benefit tax arises if the employee is specifically prohibited from using (and does not use) the car for private purposes or if the car is a pool car. The rules for pool cars are explained below.

20 See 2.12

There are special rules covering emergency services vehicles. (see Emergency Vehicles, below.) The relevant legislation[21] was designed to improve emergency vehicle response times rather than confer a benefit on public sector employees.

No charge arises if any car is being driven by a disabled employee and:

- the car has been adapted for the employee's special needs (or it is an automatic and their disabilities do not allow them to drive any other car), and
- the employee is prohibited for using the car for any purpose other than:

  their business travel, or

  ordinary commuting, or

  travel between any two places that is for practical purposes substantially ordinary commuting, or

  travel to a place of training, and
- the car has only been used in accordance with these provisions.

THE CASH EQUIVALENT

The taxable benefit of a company car is calculated by reference to the 'cash equivalent'. This is derived by multiplying its list price (including VAT, delivery costs and all extras fitted before the vehicle is delivered) by an 'appropriate percentage' which relates to the CO_2 emission level of the car.

To determine the appropriate percentage of list price for a particular vehicle, the exact CO_2 figure of the vehicle should be rounded down to the nearest 5g/km.

Broadly, the steps[22] to be followed are:

1. **Find the price of the car.** This is normally the list price including any charges for delivery and relevant taxes (such as VAT, but not VED). If the car does not have a list price, perhaps because it is a special import or left hand drive, use the price that the manufacturer, distributor or importer might reasonably have set for the car.
2. **Add the list price of any accessories initially supplied with the car**, even if these were bought for less than list price or have subsequently been removed from the car. (The cost of certain security enhancements may be ignored, with effect from 6 April 2011.)

   Also add the full value of any accessories that were subsequently fitted

21 S248A ITEPA 2003

22 S121-124 ITEPA 2003

to the car, for each year or part year that the accessory was available to the employee, even if it was removed part way through the year.

There is no need to include accessories with a value of under £100.

If an accessory is replaced like for like with another accessory, it is treated as if there was no replacement. But if it is replaced by an accessory of superior quality (e.g. a better sound system), add the value of the new item and deduct the value of the old one.

3. **Make any required deductions for capital contributions by the employee** (maximum £5,000), as shown in Capital Contributions (see Capital Contributions, below).

4. **Make an adjustment if the car is a classic car (see below)**. Classic cars tend to have a market price that exceeds their original purchase price. For the purposes of this clause a classic car is one that is:
   - more than 15 years old,
   - worth more than £15,000 at the end of the tax year and
   - has a market value higher than the amount that would otherwise be arrived at after step 2, above.

   The market value is defined[23] as the price that the car might reasonably have been expected to fetch on a sale in the open market on the last day of the tax year (or the last day it was available to the employee).

   Please note that for the purposes of this calculation a classic car needs to be more than 15 years old whereas for the purposes of vehicle excise duty exemption it needs to be 40 years old.

5. **Find the appropriate percentage for the car**, based on the car's CO_2 emissions (rounded down to the nearest 0 or 5g/km), as shown in Emissions-based 'appropriate percentage', below.

6. **Multiply the figure after step 4** by the appropriate percentage at Step 5.

7. **Make any required deduction for periods when the car was unavailable** for at least 30 consecutive days in the tax year. (See detail on unavailability below.)

8. **And finally, make any required deduction for payments by the employee for private use of the car.**

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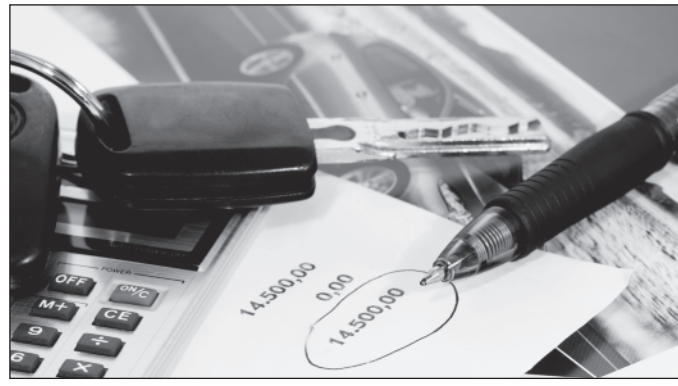
Example:

In this example the car is unavailable for 180 days and the employee enjoyed private use for the remainder of the year, for which they paid an agreed £1 per day. Please note that these calculations should be based on the number of days during which the vehicle is available for private use.

List price of the car	£22,000
List price of the accessories	£2,000
Capital contribution	£(4,000)
Classic car adjustment	0
Sub-total	£20,000
Appropriate percentage, based on CO_2 of the car	25%
Car benefit	£5,000
Car unavailable for 180 days; £5,000 x 180 ÷ 365	£(2,466)
Paid for private use; 185 days @ £1 per day	£(185)
Car benefit subject to tax at marginal rate	£2,349



EMISSIONS-BASED 'APPROPRIATE PERCENTAGE'

Every new car sold in the UK since 1 January 1998 has had an approved CO_2 emission figure for tax purposes. The published CO_2 figure is derived during the UK or EU Type Approval process, is set for the car's life and is not altered even if the car is modified or accessories are added.

The appropriate percentage to use in car benefit calculations for 2016-17 (subject to adjustments for fuel type etc) is shown on the next page.

The appropriate percentage to use in car benefit calculations for 2016-17 is:

CO_2 emissions g/km	Appropriate percentage
0-50	7%
51-75	11%
76-94	15%
95-99	16%
100-104	17%
105-109	18%
110-114	19%
115-119	20%
120-124	21%
125-129	22%
130-134	23%
135-139	24%
140-144	25%
145-149	26%
150-154	27%
155-159	28%
160-164	29%
165-169	30%
170-174	31%
175-179	32%
180-184	33%
185-189	34%
190-194	35%
195-199	36%
200 and above	37%

Add 3% for diesel cars, up to a maximum of 37% in total.

Appropriate percentages for later years may be found in Section 5.

The government is reducing these CO_2 levels over time, reflecting its continuing willingness to use the tax system to drive down the emissions level of company cars.

The government wants to encourage the use of road fuel gas cars (LPG and CNG) so instead of using the list price of a road fuel gas car in step 1 above you may use the manufacturer's list price for the equivalent petrol-engined car, which will normally be lower. In addition, if a petrol-engined car is converted to run on gas, the conversion cost should be ignored when calculating the step 1 price.

The government is maintaining the differentials between the three lowest 'appropriate percentage' bands (0-50, 51-75 and 76-95g/km of CO_2) at

- 4% (2017-18)
- 3% (2018-19) and
- 3% (2019-20).

The government is committed to announcing company car tax rates three years in advance.

DIESEL CARS

For some years a 3% supplement has been added to the appropriate percentage of list price where the vehicles are diesel powered. This was to have been abolished but in a surprise move it has been retained.

This 3% supplement reflects government concerns about the fact that diesel fuel contains particulates: small solid soot-like particles that are deposited locally when diesel is burned. While these do not affect the ozone layer and are not greenhouse gases, they may be carcinogenic and they do have an effect on local air quality.

OTHER FUEL TYPES

Vehicles of all other fuel types (hybrid, bi-fuel, LPG and bioethanol) receive the same appropriate percentage figure as a petrol vehicle that has the same level of emissions (i.e. there is no difference).

CLASSIC CARS AND CARS WITHOUT A CO_2 FIGURE

To determine the value of a classic car in step 4, above, you should:

- establish a reasonable open market valuation of the car at the end of the year (or the last date the car was available to the employee) and
- deduct any capital contributions made by the employee.

If a car does not have an approved CO_2 figure (perhaps it was a grey

import), the following percentages apply in step 5 above for cars first registered after 1 January 1998.

Engine size	Appropriate % for a car without an approved CO_2 figure first registered after 1 January 1998 (eg a grey import)	
	2016-17	**2019-20**
≤1400	15%	23%
>1400 and ≤2000	25%	34%
>2000	35%	37%

The rules will change from April 2017, as follows:

Cars with neither a CO_2 emissions figure nor an engine cylinder capacity and which cannot produce any CO_2 emissions in any circumstances			
	2017-18	**2018-19**	**2019-20**
Appropriate percentage	9%	13%	16%

For 2020-21 company car tax will continue to be based on CO_2. The government has said it will consult on reforming of the bands for vehicles emitting less than 75g/km of CO_2.

CAPITAL CONTRIBUTIONS

If the employee makes a contribution of up to £5,000 towards the purchase price of the car (a 'capital contribution') this can be deducted from the list price before starting to calculate the car benefit tax, for the year the capital contribution was made and for subsequent years. A capital contribution can only relate to one car and cannot be carried forward to the employee's next car.

If an employee's company car is given to another employee, the recipient doesn't derive any tax benefit from the original capital contribution.

The contribution from the employee to the employer must meet certain tests before any capital contribution deduction can be allowed. If the payment is simply a loan to be returned to the employee in full on the sale of the car, or is a payment for the private use of the car, it cannot be deducted from the list price for car benefit tax purposes.

If the employee forfeits the £5,000 after it has been paid, or only receives back a proportion of it on sale of the vehicle (no more than the proportion that the sale proceeds represent compared with list price), the capital contribution can be deducted from list price.

DISABLED DRIVERS

If a disabled driver needs an automatic transmission car, you can use the cost of an equivalent manual car in step 1 if it is less than the cost of the automatic. 'Equivalent' here means that the manual car must have been registered around the same time as the automatic car and must be the closest variant available. This concession is only available if the driver holds a blue disabled badge.

In step 2 you can also ignore the cost of any accessories, adaptations or disability equipment that needed to be fitted to allow the employee to use the car.

If the CO_2 emissions of the equivalent manual car were lower than the emissions of the automatic car, you can use the emission level of the manual car in step 5 above.

The normal rule is that if a driver is given a company car and is prohibited from driving any private mileage (including commuting) for the whole tax year, they are exempt from car benefit tax. However, if the driver is disabled and the car has been specially adapted to their needs, the legislation[24] exempts them from car benefit tax even if they use the car for regular commuting, provided there is no additional private use.

LIST PRICE

When calculating the cash equivalent value of the car you should use the list price published by the manufacturer on the day before the car was first registered. The inspector of taxes checks your returns against Glass's Guide to check for accuracy.

Then you must add the cost of delivery, VAT, number plates and accessories fitted when new but not VED or the initial registration fee. It does not matter whether you bought the vehicle new or second-hand.

If you subsequently attach an accessory costing more than £100, this increases the list price to be used when calculating the cash equivalent from that year onwards.

CAR NOT AVAILABLE

If the company car is not available to the employee (or his family or household) for at least 30 consecutive days, car benefit tax can be reduced pro-rata on a time basis.[25]

24 S247 ITEPA 2003
25 S143 ITEPA 2003

For this purpose, 'unavailable' includes the car being off the road as a result of a breakdown or accident, the car being inaccessible to the employee, the keys not being available and so on. However, if the car is just parked at home because the driver is unable to drive or is abroad for several weeks, it is still deemed to be 'available' because in these cases it is the driver who is unavailable.

HMRC won't accept that the car is unavailable if the driver is banned from driving or is ill, or if the car has no road tax, MOT or car insurance. However, if the employer withdraws the car because of one of these reasons, HMRC will accept that the car is genuinely unavailable.

If the company car is not available and the employee is provided with a replacement, there will be no extra car benefit tax payable unless the replacement car is materially superior to the regular car in quality or list price. However, if the main intention was not to provide a superior car (e.g., perhaps that was the only car available), no extra car benefit tax will be payable.

When claiming a reduction in car benefit tax because a car is unavailable, you have to supply HMRC with evidence that the car was unavailable.

EMPLOYEE PRIVATE USE CONTRIBUTIONS

If the employee is required to make payments to the company in consideration of being allowed to use the vehicle privately (a private use contribution) the cash equivalent will be reduced by the amount of this payment on a pound for pound basis until the cash equivalent is nil.[26]

However, they must have been required to pay this as a condition of the car being made available and they must actually have made the payment. If the employer charges the employee VAT on these contributions, this can be deducted too.

If the amount the employee actually pays exceeds the amount of the chargeable benefit, no car benefit charge will arise. Otherwise the car benefit charge is reduced by the amount actually paid.

If the employee pays for specific items such as petrol or insurance, these won't qualify as deductions even if the employer requires the employee to pay these amounts.

If you give a cash refund to an employee for taking a car of lower value than they were entitled to under your fleet policy, the employee has to pay income tax on the refund at their marginal rate and your business can

26 S144 ITEPA 2003

receive tax relief on the payment. National insurance is payable by both employer and employee as if this was simply an extra salary payment.

TRANSACTIONS AT UNDERVALUE

If an employee buys a car from their employer for less than its market value, the difference between the price paid and the market value is taxable at the employee's marginal rate of tax.

NO PRIVATE USE

If an employee uses a company vehicle for business use only – that is, they do not drive any private mileage, use it for commuting or park it at home overnight – they are not liable for car benefit tax.

However, if the vehicle is 'available for private use' a tax charge will arise – whether the employee actually uses the vehicle or not.

POOL CARS AND VANS

If an employee drives a pool car or pool van there is no benefit-in-kind charge.[27]

HM Revenue & Customs is very keen to ensure that employees do not use pool cars and vans as their regular company vehicles in order to avoid tax. Therefore, to be treated as a pool car or van the vehicle has to be:

- available by reason of employment to more than one driver,
- actually used by more than one driver, and
- it must not 'normally' be kept overnight at one employee's home.

Some modest private use is allowed if it is 'incidental' to the business use. An example would be if the car or van were to be taken home to allow an early start on a business trip, though if this happened frequently it would be treated as a company car or van.

In practice it would seem to be good fleet management practice to have a written fleet policy setting out the rules for the use of the pool cars, and to keep a log showing who is driving the car and the purpose of each journey, as HMRC may ask to see these.

IF CARS ARE SHARED BY SEVERAL DRIVERS

In some organisations a few employees share the use of one car. The legislation[28] sets out rules to ensure that each employee only pays tax on their usage of the vehicle.

27 S167/8 ITEPA 2003
28 S148 ITEPA 2003

In this situation you need to calculate the cash equivalent of the car as if each of the drivers had exclusive use and then reduce this on a 'just and reasonable' basis. The law is silent on how to do the calculations. HMRC will accept any split of the benefit that has been agreed between the employer and the employees, so long as it does not artificially reduce the overall amount of tax payable. One logical way to split the benefit is pro-rata to the number of days when each employee was the sole or main driver or took the car home overnight.

If the employer pays for fuel and allows the vehicle to be used by the drivers for private mileage (including commuting), the employees should share the tax liability for the free fuel in the same proportions as they share the car benefit liability.

IF MANY CARS ARE DRIVEN BY ONE DRIVER

If you are in the motor industry your employees may drive many cars every year. In this situation it could be unduly burdensome for employees to log every time they drive private mileage in one of these cars. To comply with the legislation they would need to keep details of the type of car, the list price, the dates they drove each car, the CO_2 emissions of those cars, etc.

Nonetheless, if a driver wants to log the private use of all of the cars they have driven they are permitted to do so.

Employers in any of the following businesses are permitted to use an 'averaging' method to simplify the calculation of the benefit charge:

- motor manufacturing
- new or used car sales
- car leasing
- daily hire
- fleet operations

Under the averaging method, each employee is allocated to a 'group' and a record is made of the cars that were available to that group during any one night in the period 17-31 January in the previous tax year.

The car benefit is based on the average list price and CO_2 emissions of a notional car in that group.

The steps to calculate a group average are:

1. Identify the cars to be averaged
2. Separate the cars into groups (e.g. local, regional or national)
3. Calculate the average price of the notional car in each group

4. Calculate the average CO_2 emissions and, therefore, the appropriate percentage of the notional car in each group
5. Determine the benefit charge for the notional car in each group
6. Identify employees within these arrangements
7. Allocate these employees to groups

Each employee is therefore taxed according to the average price and CO_2 levels for the notional car in each group rather than the actual cars they drive.

This approach is only available where employees are allowed to take cars home but aren't allocated a specific vehicle.

The employer is required to retain detailed information on the cars and drivers, as well as notes showing how the averaging calculations were carried out.

Employees can be allocated to one group for a period but if their jobs change they can be moved to another group and pay a different amount of car benefit tax.

Many of the cars that are being driven by motor industry employees are awaiting sale, so it is normal for these to be filled with petrol at the employer's expense. When employees use these for private journeys they must pay tax on the benefit of the free fuel. The taxable car fuel benefit is calculated using the appropriate percentage for the notional car, as calculated in the averaging procedure.

If the employer doesn't provide free private fuel they will have to prove to HMRC either that there was no private use or, if there was, that the employee paid for this fuel in full.

DEMONSTRATOR AND COURTESY CARS

If a motor-industry employee takes a car home at night for the specific purpose of taking it to a customer, the whole journey is deemed to be a business journey and no car or fuel benefit arises.

CHAUFFEURS

If an employee is provided with the services of a chauffeur, this expense is a taxable benefit. The employee pays income tax at their marginal rate on the full cost their employer incurred in providing the chauffeur.[29]

29 P3 Ch 10 and s239 (4 and 5) ITEPA 2003

EMERGENCY VEHICLES

Emergency vehicles are not taxed under the normal company car rules as set out above. To be classed as an emergency vehicle the vehicle must be fitted with a blue flashing light (or the only reason why one isn't fitted is to protect the security of the driver).

There is no charge to tax if the employee is employed in the emergency services (police, fire, fire and rescue, ambulance or paramedic) and the car or van is an emergency services vehicle used for emergency response. To be exempt from tax even when using the car for private mileage, such an employee must be liable to respond to emergencies as part of their normal duties and must not use the car privately except when commuting or on call (and even then the vehicle must not be used beyond the locality of the employee's home and work).

Where cars used within emergency services do not qualify for the above exemption, because they are available for private use, they become subject to tax but not by reference to the company car rules.

In these cases the car is treated as an asset and the tax charge is based on the higher of the annual value or the lease cost plus the running and other costs. This sum is reduced by the amount of any employee contribution and this net sum is the figure on which Class 1A NIC is charged.

The employee can then claim a reduction for the business use percentage of the vehicle leaving a tax charge on the private element.

WHAT IS A CAR?

For the purposes of the car benefit legislation[30] a car is:

- a mechanically propelled road vehicle
- that is not a motorcycle or invalid carriage
- not of a construction primarily suited to be a goods vehicle, or
- not commonly used as a private vehicle and unsuitable to be so used (e.g. a bus).

It doesn't matter how the vehicle is actually being used; the key thing is the purpose for which it was constructed.

If a vehicle has side windows behind the driver and passenger doors, or additional seats are (or could be) fitted in the row behind the driver, it is likely to be treated as a car for car benefit purposes.

30 S115(1) ITEPA 2003

The tax treatment of vans is discussed in 2.4. Luxury off-road vehicles and MPVs are always treated as cars because they can be used privately and are not designed for carrying goods.

2.2 FREE PARKING

If you provide free car parking to your employees at or near the main place of work or as a result of business travel, this is not taxable.

However, if you reimburse your employees' private parking costs, income tax and national insurance contributions will be due on these payments.

2.3 THE SELF EMPLOYED

It is important to know whether a person who works for you is employed or self-employed. The 'consultant' who has worked for you full time for the last two years and who has submitted an invoice every month may well say they are self-employed but as far as HMRC is concerned they may well be your employee for tax purposes.

If you classify them incorrectly you will be liable to pay PAYE and national insurance contributions on their income. If you allow them the use of a company car, even only occasionally, you need to be aware of the possible tax consequences should their tax status be challenged by HMRC.

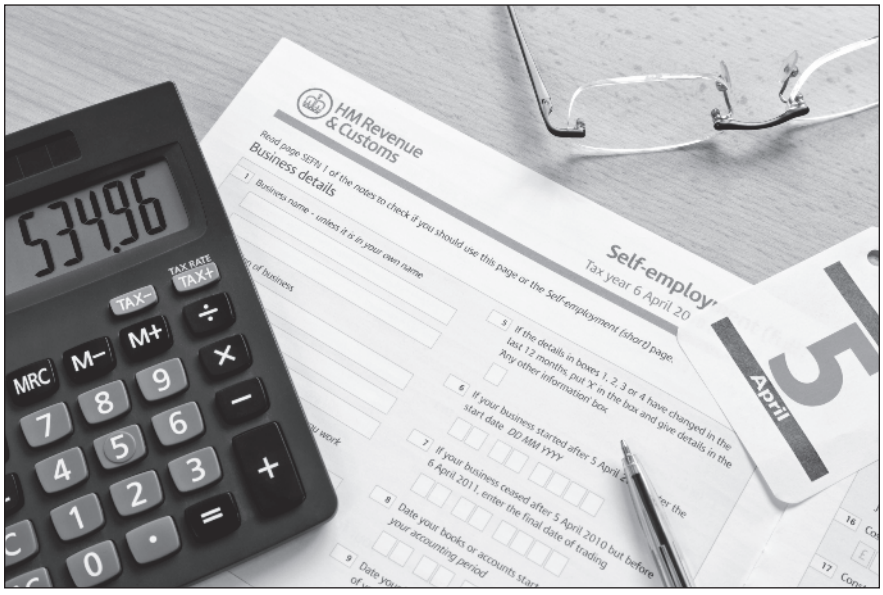
Unfortunately, the dividing line between employment and self-employment is not defined in law, though if you want to check someone's employment status you will find that HMRC's Employment Status Indicator (https://www.gov.uk/employment-status-indicator) can be a helpful starting point.

Broadly, a person is likely to be self-employed if they:

- don't have to work a set number of hours
- can choose when, where and how to do the work
- can't be moved from task to task
- aren't paid by the hour, week or month but agree a fixed price regardless of how long the job may take

- don't receive overtime or bonus payments
- can sub-contract the work to someone else
- must use their own tools and equipment
- do not enjoy employment-type benefits
- have the risk in their own business
- regularly work for a number of different people
- can refuse to do particular tasks.

If a person is self-employed none of the company car benefit tax rules will apply to them.



2.4 TAX ON PRIVATE USE OF VANS

VAN BENEFIT

Benefit in kind tax is payable by a director, or an employee whose total earnings including the value of the benefit is greater than their personal allowance , who is provided with the use of a company van (up to 3.5 tonnes) that is available for private use by them or a member of their family or household.[31]

31 S114-154 ITEPA 2003

If you provide a company van to an employee it is always treated as being available for private use for tax purposes, unless no private mileage is allowed and none is driven (both tests have to be met). If there is any private use it must be 'insignificant' to avoid the van tax charge.

It is good practice to have a written policy about private use of company vans and to keep records of the journeys undertaken. These will be useful evidence should HMRC enquire about private use of these vehicles.

A van driver who enjoys unrestricted private use of a company van is taxed on a benefit of £3,170 for the use of the van.

A taxable benefit arises when a zero-emissions van is driven for private mileage. The benefit charge is 20% of the rate payable for conventionally-fuelled vans (tax year 2016-17). This will rise in future years, as shown on the next page:

Tax year	Zero-emission car benefit charge as a % of the rate payable for a conventionally-fuelled car
2016-17	20%
2017-18	20%
2018-19	40%
2019-20	60%
2020-21	80%
2021-22	90%
2022-23	100%

If an employee is required to pay a personal contribution to the business for the private use of the van, and actually does so, the amount they pay will be deducted from the £3,170 charge. The employee's payment must have been made because they were enjoying private use of the van and not because they decided to upgrade the van above their normal entitlement.

In addition, if the van is only available for part of the year, the charge will be pro-rated.

Unlike the situation with company cars, no tax relief is available if the employee makes a capital contribution.

If a van is a true pool van, no tax will arise on private use. The rules for pool vans are broadly similar to those for pool cars.[32]

When a company car driver takes his or her vehicle home, this is deemed to be private mileage for tax purposes. Most company van drivers take their vans home overnight because they are required to do so for the efficient operation of their employer's business. It would be impractical to require them to drive their private cars to work in order to collect their vans before starting their day's work. Therefore 'commuting' by van drivers is not considered to be private use, and if this is the only non-business mileage they drive they will not be charged any van benefit tax.

Similarly, if a van is deemed to have 'insignificant' private use (defined as 'too small or unimportant to be worth consideration') and this is the only non-business mileage the employee drives, they will not be charged any van benefit tax.

VAN FUEL BENEFIT

If an employee is provided with free fuel for the private use of a company van they will be taxed on this benefit. For 2016-17 the taxable amount (the 'van fuel benefit multiplier') is £598 and in future this will increase by RPI. This amount is added to the employee's salary and taxed at their marginal rate. This charge is payable in addition to the company van tax.

If free fuel is provided for a company van and the employee (and members of their family or household) are prohibited from driving any private mileage – and actually don't drive any – the fuel charge will not arise. For the purpose of this clause you can ignore commuting to work and any insignificant amounts of private use.

The employer is also required to pay Class 1A national insurance on the van fuel benefit.

It is good fleet management practice to ensure that the employee's contract of employment sets out the rules for the private use of a company van and to actively monitor whether any significant private use takes place.

32 See 2.1

2.5 TAX ON PRIVATE USE OF OTHER FORMS OF COMPANY TRANSPORT

There is no tax payable for the private use of a heavy goods vehicle so long as title in the vehicle is not transferred to the employee and the vehicle is not wholly or mainly used for private purposes. 'Private' here excludes commuting, so tax will be payable if the vehicle is regularly used for commuting, though in practice an employee would need to drive substantial levels of private mileage in an HGV before HMRC would seek to tax this as a benefit in kind.

If an HGV is mainly used for private purposes, it will be taxed each year at 20% of the cost of the vehicle (if the vehicle was provided to the driver from new) or its market value as at the date it was first provided as a benefit.

If the vehicle is leased to the employer the employee will be taxed on the lease rentals if these exceed 20% of the cost of the HGV. The employee also has to pay tax on any costs incurred by the employer in providing the vehicle.

Similar rules apply to the provision of other forms of transport such as motorbikes and motor vessels. They are taxed at 20% of the cost of the asset or on the lease rentals, whichever is greater.

2.6 HMRC APPROVED MILEAGE ALLOWANCE PAYMENTS (AMAPs)

If an employee uses their own car on company business, you can pay them a mileage amount not exceeding the HMRC Approved Mileage Allowance Payment rate without the employee bearing any tax or national insurance liability. The legislation[33] also says that so long as the payment does not exceed the AMAP amount, neither the employer nor the employee need to report it to HMRC.

If an employer pays a mileage rate that exceeds the AMAP rate, the excess has to be reported on the employee's P11D and will be taxable.

The AMAP rates for 2016-17 are:

1st 10,000 business miles: 45p per mile

Business miles in excess of 10,000 miles: 25p per mile

Any rate up to and including 45p per mile may be paid NIC-free irrespective of the amount of business mileage driven. Unlike car benefit tax, there is no 10,000 mile threshold for NIC purposes.

These two bands – up to and above 10,000 miles – reflect the fact that some motoring costs are fixed (road tax, insurance, depreciation, etc.) whereas others vary according to the mileage driven (fuel, servicing, etc.).

These rates are payable regardless of engine size or levels of CO_2 emissions.

These rates are quite generous for drivers of smaller cars, though often they do not cover the full costs of running bigger cars. This is a deliberate government measure to encourage the move to smaller cars for environmental reasons.

So long as an employer pays no more than the AMAP rate, neither they nor their employees need to record the actual costs of business mileage, just the mileage itself.

Many employees are unaware of a tax-efficient aspect of the AMAP rules. If you reimburse employees at a rate that is lower than the AMAP rate they can claim tax relief on the difference.[34]

33 S230(2) ITEPA 2003

34 S231 ITEPA 2003

Let's imagine one of your employees drives 16,000 business miles p.a. in her small car and you reimburse her 20p per mile. The AMAP rules allow her to receive:

45p x 10,000 miles	£4,500
25p x 6,000 miles	£1,500
	£6,000
You have paid her 20p x 16,000	£3,200
So she can claim tax relief on	£2,800

Employers can also make tax-free payments to employees for business mileage travelled using their own motorbikes (24p per mile) and pedal bikes (20p per mile).

2.7 TAX ON BUSINESS FUEL

If you pay for the business mileage driven by your employees in company cars, no income tax or Class 1 or 1A national insurance contribution will arise so long as the payments do not exceed these **advisory fuel rates**:

	Refunded per mile	
cc	**Petrol or petrol/hybrid**	**LPG**
Under 1401	10p	7p
1401-2000	12p	8p
Over 2000	19p	13p
cc	**Diesel or diesel/hybrid**	
Under 1601	8p	
1601-2000	10p	
Over 2000	11p	

These are advisory rates. If you can demonstrate that the actual cost was higher you may ask HMRC to agree a higher amount but there is no guarantee they will accept this.

These figures apply from 1 March 2016 and are reviewed by the government every quarter on the first of March, June, September and

December. You can check the latest advisory fuel rate figures on the HMRC website.[35]

If you pay a driver more than these amounts, the surplus will be taxable and subject to NIC.

HM Revenue & Customs will also accept these rates for VAT purposes. It is important for employers to retain the employees' actual fuel receipts to prove that this VAT was actually incurred.[36]

2.8 TAX ON FREE PRIVATE FUEL IN CARS

If you pay for the private mileage driven by an employee (or a member of their family or household) in a company car on which a car benefit charge arises,[37] they will have to pay tax on the benefit.[38] This applies regardless of whether the fuel is paid for by credit card, voucher or cash. For this purpose 'private mileage' includes commuting to and from work.

The tax is payable in addition to any car benefit tax on the car itself and is payable in full irrespective of the period of time during which free fuel is available. However, the charge may be pro-rated if the vehicle is unavailable for a period during the year or if the benefit is withdrawn part way through the year and is not reinstated.

Pro-rating is not available if the employee already has a company car and the employer starts paying for free private fuel for that vehicle part way through the tax year.

If the employee is required to make good (and actually does make good) the full cost of any fuel used for private mileage, this tax is not payable. If they make good only part of the cost, the full charge is payable.

When ensuring that the cost of this private fuel has been fully reimbursed to the employer, HMRC will accept either of the following calculation methods:

35 www.hmrc.gov.uk/cars/advisory_fuel_current.htm

36 See 1.4 VAT on Motor Expenses

37 See 2.1

38 S149-153 ITEPA 2003.

- The actual cost of the private fuel, calculated by reference to the actual mileage driven and the actual fuel bills, or
- The cost calculated by reference to the HMRC advisory fuel rates.[39] The advisory fuel rates were designed to be used by an employer wishing to reimburse an employee for business mileage driven in a private car but they can also be used to calculate the amount the employee should reimburse the employer for fuel provided for the private use of a company car.

This reimbursement by the employee should be made no later than 30 days after the end of the tax year to which it relates.

The free fuel charge arises whether the employer owns the car or leases it.

If an employee uses their own car and is reimbursed the cost of business mileage, tax on private fuel benefit does not arise and the Approved Mileage Allowance Payment (AMAP) rules apply.[40]

If any free private fuel is supplied to an employee for use in their own car, the employee will be subject to tax on the total value of private fuel supplied, including VAT.

CALCULATING THE FUEL CHARGE ON A COMPANY CAR

The actual cost of the fuel is ignored when calculating the taxable benefit.

Instead the benefit is based on the car's CO_2 emissions and a flat rate 'fuel benefit multiplier' set by the government for the tax year.

For 2016-17 this is £22,200.[41]

The government plans to increase this by RPI in future years. The steps involved in calculating the fuel charge are:

1. Determine the 'appropriate percentage' for the car, following the rules that apply when calculating the car benefit (see Emissions-based 'appropriate percentage' in 2.1).

   For electric vehicles there is no fuel benefit. If a car is unavailable for part of the year the fuel charge is reduced pro-rata. The same applies if free private fuel is withdrawn and not reinstated or if the car is shared.

39 See 2.7

40 See 2.6

41 S150(1) ITEPA 2003 and SI 406, 2010

2. Multiply the appropriate percentage by the fuel benefit multiplier, £22,200 (2016-17).

   This gives you the fuel charge that will be added to the employee's salary and taxed at his or her marginal tax rate.

   Example:

   Ros is a higher rate taxpayer.

   Her petrol-engined company car emits 90g/km of CO_2. Therefore according to the chart in 2.1 her taxable percentage is 15%.

   15% x £22,200 = £3,330.

   So being a taxpayer with a 40% marginal rate of tax she will pay 40% x £3,330 = £1,332 benefit in kind tax.

   If Ros fully reimburses her employer, no fuel charge will arise.

The government is very keen to stop employers paying for their employees' private fuel and, as the above example shows, even an employee driving a low-emission car still has to pay a significant amount of tax on the free fuel. Had Ros been driving a company car that emitted 145g/km of CO_2 – by no means one of the most polluting cars on the road – the 'appropriate percentage' would have been 26% rather than 13% and she would have had to pay twice the amount of car tax.

Many firms have stopped providing employees with free private fuel because the tax payable by the individual exceeds the benefit received.

CALCULATING WHETHER YOU BENEFIT FROM TAKING FREE FUEL

To determine whether you would benefit from taking free private fuel from your employer:

1. work out how much you would spend if you bought the fuel yourself (i.e. multiply the private mileage you drive in the tax year by the average cost of fuel per gallon and the mpg of your car), and
2. calculate the fuel charge for the car, by multiplying the 'appropriate percentage' by £22,200, then
3. multiply the fuel charge by your marginal rate of tax.

If the cost of buying the fuel yourself exceeds the tax payable on the fuel charge, you are benefiting from having it paid for by the company.

If the tax payable on the fuel charge is more than you would spend buying the fuel yourself, you would be better off paying for it yourself.

Example:

Mark drives 8,000 private miles a year in a company car that delivers 40mpg. He estimates that the average cost of a gallon of petrol will be £6.00 throughout tax year 2016-17.

His car emits 141g/km so the 'appropriate percentage' is 25%. Mark's marginal rate of income tax is 40%.

So, the calculations are as follows:

Total cost of private fuel: 8,000 miles ÷ 40mpg x £6.00 = £1,200.00

The fuel benefit charge is £22,200 x 25% x 40% = £2,220

In this case the fuel benefit charge is higher than the cost of the fuel, so Mark would be better off paying for all private fuel himself. The breakeven mileage at which he would be indifferent between paying for private fuel himself and asking the company to pay for it for him would be:

8,000 x £2,220.00 ÷ £1,200.00, i.e. 14,800 miles.

If he drives more private mileage than this, he is better off asking the company to pay for his private fuel and paying the fuel charge. If he drives less private mileage than this he is better off paying for all private fuel personally.

Even if a driver is benefiting from receiving free private fuel, it is worthwhile checking how much it is costing the company to provide this benefit. Both parties may be better off if the company gives the driver an increase in salary and stops providing them with free private fuel.

2.9 CAR SHARING

If one of your employees uses their own vehicle to drive fellow employees on business journeys, you can pay the driver an allowance of up to 5p per passenger per business mile, tax- and NI-free.

Ask your drivers to check that their insurer does not categorise this as 'hire and reward' driving, otherwise this arrangement may nullify their cover.

Car sharing is becoming more popular as employers try to encourage their employees to reduce CO_2 emissions by sharing journeys to work and to work-related off-site meetings. Several companies now offer online tools to help employers set up journey sharing arrangements for their employees.

If your employees are part of a commuting car sharing arrangement and their car share arrangement breaks down on a particular day (perhaps the car physically breaks down or the driver just does not show up) you can make tax-free payments to them to cover the cost of their journey to or from home. These payments can only be made tax free when the share arrangement breaks down as a result of an emergency or for some other reason for a short period.[42]

2.10 MINIBUSES

Input VAT is recoverable in full on the purchase of a minibus.

If you provide a minibus or a bus to allow your employees to go to work or to go shopping at lunchtime, no car benefit tax charge arises as long as the vehicle has more than nine seats fitted by the manufacturer.

You can pay a bus company to carry your employees to and from work without any national insurance or income tax liability arising. However, caution is necessary here. If you simply buy zone tickets that your employees could use for travel to and from work as well as for purely private travel, a tax liability might arise.

2.11 CONGESTION CHARGING

If one of your employees drives a company car into a congestion charging zone and pays the charge, you can reimburse them and they will have no liability to income tax.

Similarly, if you meet the cost directly there will also be no income tax.

This is because the benefit in kind tax payable by an employee on a company car is deemed to cover all of the costs involved in running that car. This includes:

- servicing
- repairs
- maintenance

42 S248 (3) ITEPA 2003

- vehicle excise duty (VED)
- insurance and
- congestion charging.

Hence no separate income tax liability arises if you reimburse employees for the cost of the congestion charges they incur when driving a company car for private purposes.

If employees use their own vehicles, tax relief for congestion charges will only be available for business travel or when the employee travels to a temporary workplace, but relief will not be available for ordinary commuting journeys or private travel.

If a self-employed person pays the congestion charge the cost will normally be tax-deductible if the journey is for business purposes but not if it is a personal or commuting journey.

2.12 TAXATION OF EMPLOYEE CAR OWNERSHIP SCHEMES (ECOS)

ECOS have been around for around 25 years and are used by some larger businesses to reduce the cost of cars for employees undertaking business journeys.

In essence, ECOS are designed to provide all of the benefits of a traditional leased company car for both the employer and the employee. However the underlying financing agreement is not a lease but a credit sale agreement.[43] This type of agreement transfers title in the vehicle to the employee from day one.

This moves the employee outside the scope of the company car benefit taxation rules because in order to be taxed as a benefit in kind a car must be:

- made available for private use by an employee, director, or member of their family or household,
- by reason of employment,
- without title in it transferring to them.[44]

43 See Managing Your Company Cars, 3rd Edition, 1.10

44 Section 114 ITEPA 2003

ECOS achieve their tax objectives because the credit sale agreement gives the employee title in the car from day one.

HMRC will usually want to review all of the documentation and rules of an ECO scheme before determining how it should be treated for tax and national insurance purposes, even if you use an 'off the shelf ' scheme provided by a firm of accountants.

It is in your interests to provide all of the documentation to HMRC before you launch the scheme and to wait to receive their 'clearance'. (However there have been occasions where HMRC have declined to comment until after a scheme has been launched.)

If you change any of the scheme documents or rules you will need to go back to HMRC to get these signed off.

TAX AND NIC CONSEQUENCES OF ECOS

When an employee pays tax on a company car, the tax charge covers most of the costs the employer has incurred including depreciation, maintenance, road tax, etc. There are no other car-related costs that can be liable to a separate charge, other than the cost of any chauffeur.

However, ECOS don't work the same way so HMRC will be interested in every cost the employer has incurred in providing the car, including the price the employee pays for the car (the 'headline' amount in the credit sale agreement), the guaranteed future price (the price at which the employee agrees to sell the car back to the leasing company), the finance interest rate, road tax, servicing and so on.

As an example, HMRC will want to ensure that the guaranteed future price, mileage allowance payments or other payments to the employee are not so high that the employee ends up making a profit. If such a profit does arise, this will definitely be taxable as it arises by reason of the employee's employment.[45]

Under an ECO scheme, the employee is responsible for meeting the costs of owning and running the car. Their employer provides them with a combination of:

- a mileage allowance for business travel (which is tax and NIC-free so long as it does not exceed the AMAP rate), and

45 Section 203 ITEPA 2003

- a cash allowance to cover the finance payments due under the credit sale agreement, motor insurance premiums and maintenance and repair costs. The cash allowance is taxable and subject to NI.

The employee owns the car so they are no longer liable to benefit in kind tax: they don't have a company car.

All payments and deductions are generally processed through the employer's monthly payroll process.

It is normal for ECO schemes to pay the employee the full AMAP amount because this gives the employee the maximum tax- and NI-free benefit.

Under an ECO scheme the employee cannot receive capital allowances on the vehicle or tax relief for the interest paid on the credit sale agreement.

The national insurance rules[46] say that if an employee is paid more than the AMAP rate for the use of their privately owned vehicle ('Relevant Motoring Expenditure'), they will be liable to Class 1 NIC on the excess.

For tax purposes, if the employee receives a mileage allowance that is less than the AMAP rate, they can carry the shortfall forward until the end of the tax year to set against excess payments. However they cannot carry the shortfall forward into a subsequent tax year. The difference is lost.

EMPLOYERS' PAYE RESPONSIBILITIES

Where an employer makes payments to employees relating to the purchase or running of a private car, and those payments are liable to PAYE and Class 1 NIC, these must be put through the employee's payroll immediately and must not be carried forward to be dealt with as a lump sum at a future date.

Normally, the leasing company that arranges the ECO scheme will calculate the amount the employer has to put through the payroll but this does not absolve the employer of responsibility for recording the amounts of PAYE and NIC payable and actually paying this to HMRC.[47]

PAYE SETTLEMENT AGREEMENTS

HMRC operates PAYE 'settlement agreements', a special scheme that allows employers to account for PAYE and NICs on minor or irregular taxable

46 Reg 22A (4) SSCR 2001 amended by as SI 770, 2004 47 Regulation 66(2) of the ITPR 2003 (SI 2003/2682)

47 Regulation 66(2) of the ITPR 2003 (SI 2003/2682)

benefits or benefits that can be difficult to calculate and process via the company's payroll.

The system allows the employer to calculate the amount of the benefit, gross it up for income tax and NIC purposes and simply pay over the tax and NI to HMRC.

Under some earlier ECO schemes, payments to employees were settled and taxed using PAYE settlement agreements but HMRC won't now allow these to be used to settle liabilities relating to cars. Therefore these payments have to be dealt with via the payroll.

2.13 TAXATION AND SALARY SACRIFICE SCHEMES

Salary sacrifice is a formal agreement whereby an employee agrees to accept a lower salary and in return receives a benefit from their employer.

Such schemes[48] have been around for years and you may be familiar with arrangements by which employees forego part of their salary and instead receive benefits such as childcare vouchers or free health screening.

These arrangements are worthwhile so long as the employee pays a lower rate of income tax on the benefit than they would have paid if they had taken the salary.

Under a car salary sacrifice scheme the employee gives up a part of their salary, saving their employer saves the cost of the sacrificed salary and Class 1 NIC. The employer incurs the cost of leasing the car and pays Class 1A NIC on the benefit in kind.

Once the car has been delivered, the employer will reduce the employee's gross salary by the amount sacrificed. The reduction is designed to cover the cost of providing the vehicle (including rental, maintenance, administration, insurance etc). The employee is allowed to sacrifice however much salary they want so long as this does not bring their gross salary below the national minimum wage.

The employee saves income tax and primary Class 1 NIC on the sacrificed salary. They have to pay benefit in kind tax but they can keep this low by choosing a low-emission car.

For example, in 2016-17 employees are taxed on just 15% of the value of a car that emits between 76-94g/km of CO_2, or 18% for a diesel car, and there

48 Described more fully in Managing Your Company Cars, 3rd edition, 14.2

are now many low-emission models to choose from. So the employee is encouraged to give up an older car for a newer, low-emission one.

The employer has to pay Class 1A NIC on the value of the benefit instead of Class 1 NIC on the salary, but this normally provides a significant saving to the company because Class 1A NIC is based on the CO_2 emissions of the car. Some companies choose to pass the Class 1A NIC charge back to the employee by increasing the salary sacrifice amount.

Whenever an employee opts into or out of a salary sacrifice scheme, HMRC expects the arrangement to be properly documented. There needs to be a legally enforceable agreement recording the new terms and conditions of employment, so that the employee's entitlement is clear.

There is case law[49] that says that if the employment contract allows the employee to forego a car and revert to taking their regular salary at any time, the salary sacrifice scheme will fail. In such a case the employee will be required to pay income tax as if they were still receiving their full salary, rather than paying car benefit tax on the company car. (However their national insurance liability will still be based on what they actually receive.)

If the employment contract gives the employee the right to switch out of the leased car and revert to salary in the event of a major unforeseen life event such as redundancy of a partner, pregnancy, marriage or divorce, the salary sacrifice scheme will not fail.

A well-designed salary sacrifice scheme needs to anticipate all of the situations that might arise. For example, if an employee goes on maternity leave they are entitled to continue to receive their employment benefits even if they are on Statutory Maternity Pay or indeed are receiving no pay and therefore have little or no salary to sacrifice. This is potentially a large cost for a company.

In addition, when an employee receives Statutory Maternity Pay, Statutory Adoption Pay or Statutory Sick Pay, these benefits are based on the actual amount of the employee's salary. The fact that the employee receives a lease car under a salary sacrifice scheme is ignored, so they may end up receiving a lower level of SMP, SAP or SSP than would otherwise have been the case, or none at all.

There are some other situations where the reduction of gross salary – a key feature of salary sacrifice schemes – might affect the payment of some earnings-related state benefits but these are beyond the scope of this book.

49 Heaton v Bell, House of Lords (46TC211)

When operating a salary sacrifice scheme, an employer must collect the correct amount of PAYE and NICs based on the employee's cash salary. They must also correctly handle the tax and NIC issues and the reporting of the non-cash benefits.

It is advisable but not essential for employers to obtain approval for salary sacrifice schemes from the HMRC Clearances Team.[50] However, HMRC won't comment on a proposed scheme until it has been put in place.

In Budget 2016 the government announced that they are considering limiting the range of benefits that attract income tax and National Insurance contribution (NICs) advantages when provided as part of salary sacrifice schemes. They said that this review will not affect pension saving, childcare, and health-related benefits (e.g. Cycle to Work). However, salary sacrifice for cars was not mentioned, opening the possibility of future rule changes affecting these schemes.

50 HMRC Clearances Team, Alexander House, 21 Victoria Avenue, Southend-on-Sea, Essex SS99 1BD

3 EXERCISES

Why do capital allowances exist?

What levels of capital allowance are payable on company cars, bikes, vans and trucks?

What is depreciation?

What does pooling mean?

What does 'VAT blocked' mean?

What extra VAT is payable if you give an employee free private fuel?

What VAT is payable on finance payments?

How does the CO_2-based car benefit tax system work?

Explain how capital contributions are treated.

How are vans treated for benefit-in-kind purposes?

Explain AMAP.

How is the reimbursement of congestion charges taxed?

How do ECO schemes deliver tax savings?

What are the key tax issues arising with salary sacrifice schemes?

4 GLOSSARY

Abbreviation	Legislation
CAA 2001	Capital Allowances Act 2001
CTA 2009	Corporation Tax Act 2009
ICTA 1988	Income and Corporation Taxes Act 1988
ITEPA 2003	Income Tax (Pensions and Earnings) Act 2003
ITPR 2003	The Income Tax (Pay As You Earn) Regulations 2003
ITTOIA 2005	Income Tax (Trading and Other Income) Act 2005
SI 205, 2002	Statutory Instrument 205, The Income Tax (Exemption of Minor Benefits) Regulations 2002
SI 406, 2010	The Car and Van Fuel Benefit Statutory Order No. 406, 2010
SI 770, 2004	Social Security (Contributions, Categorisation of Earners and Intermediaries) (Amendment) Regulations 2004
SSCR 2001	Regulation 22A (4) of the Social Security (Contributions) Regulations 2001

5 TAX RATES AND ALLOWANCES

Income tax bands

	2016-17	2017-18
Basic rate	Up to £32,000	Up to £33,500
Higher rate	£32,001-£150,000	£33,500-£150,000
Additional rate	Over £150,000	Over £150,000

Income tax rates

	2015-16	2016-17
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Dividend ordinary rate – for dividends otherwise taxable at the basic rate (rate including tax credit)*	10% (0%*)	7.5%
Dividend upper rate – for dividends otherwise taxable at the higher rate (rate including tax credit)*	32.5% (25%*)	32.5%
Dividend additional rate – for dividends otherwise taxable at the additional rate (rate including tax credit)*	37.5% (30.6%*)	38.1%

*From April 2016 a new £5,000 dividend allowance replaces the dividend tax credit

Personal allowances

	2016-17	2017-18
Personal allowance	£11,000	£11,500
Income limit for personal allowances	£100,000	£100,000
Income limit for married couple's allowance	£27,700	£27,700
Marriage allowance	£1,100	£1,150
Blind person's allowance	£2,290	£2,290

Date of birth no longer affects personal allowances from 2016-17 but still affects married couple's allowance.

National Insurance Contributions

	2016-17
Class1 lower earnings limit	£112.00
Class 1 upper earnings limit for primary NICs	£827.00
Class 1 upper secondary threshold for under 21s (introduced April 2015. No secondary NICs are payable for under 21s for earnings between weekly secondary threshold and upper secondary threshold)	£827.00
Class 1 weekly primary threshold	£155.00
Class 1 weekly secondary threshold	£156.00
Employee Class 1 contributions on earnings from £155 to £827	12%
Employee Class 1 contributions on earnings above £827	2%
Married woman's reduced rate for primary Class 1; weekly earnings £155 to £827	5.85%
Married woman's reduced rate for primary Class 1; weekly earnings above £827	2%
Employer's secondary Class 1 contributions; weekly earnings above £156	13.8%

Self-employed and other rates and thresholds

Class 2 NICs	
These are paid at a flat weekly rate by self-employed people. If profits are (or are expected to be) below the Small Earnings Exception level the taxpayer may apply for exemption.	
	Tax year 2016-17
Small Profits Threshold (annual)	£5,965
Self-employed Class 2 NICs above SPT	£2.80
Volunteer development workers Class 2 NICs	£5.60
Share fishermen Class 2 NICs	£3.45
Class 3 NICs	**Tax year 2016-17**
Voluntary contributions	£14.10
Self-employed: Class 4 NICs	**Tax year 2016-17**
Annual profits below Lower Profits Level of £8,060	Nil
Annual profits above LPL but below Upper Profits Level of £43,000	9%
Annual profits above UPL	2%
Employers: Class 1A NICs	**Tax year 2016-17**
NIC Rate	13.8%

Maximum income tax-free and NIC-free loan from employer to employee

	2016-17
Maximum loan amount	£10,000

Corporation Tax rates

Level of profits	2016-17	2017-18	2018-19	2019-20	2020-21
All profits, main rate	20%	19%	19%	19%	17%

Capital allowances and reliefs

	2016-17
Plant and machinery; main rate	18%
Plant and machinery; special rate	8%
Threshold for main rate	130g/km
Annual investment allowance	£200,000
First year allowance	100%

First year allowances thresholds

Tax year	Maximum CO_2 threshold for FYAs
2016-17	75g/km
2017-18	75g/km
2018-19	50g/km

FYAs have not been available to leasing companies since April 2013.

VEHICLE EXCISE DUTY

VED for petrol and diesel cars registered on or after 1 March 2001:

Band	CO_2 emissions *g/km*	12 months' rate	1st year rate
A	Up to 100	£0.00	£0.00
B	101-110	£20.00	£0.00
C	111-120	£30.00	£0.00
D	121-130	£110.00	£0.00
E	131-140	£130.00	£130.00
F	141-150	£145.00	£145.00
G	151-165	£185.00	£185.00
H	166-175	£210.00	£300.00
I	176-185	£230.00	£355.00
J	186-200	£270.00	£500.00
K*	201-225	£295.00	£650.00
L	226-255	£500.00	£885.00
M	Over 255	£515.00	£1,120.00

These rates apply for both petrol and diesel cars.

*Band K includes cars emitting more than 225g/km first registered before 23 March 2006.

Classic cars are exempt from VED if manufactured before:

	Manufacture cut-off date
2016-17	1 January 1976
2017-18	1 January 1977
2018-19	1 January 1998

VED for light commercial vehicles (not exceeding 3.5 tonnes):

	12 months' rate
Early Euro 4 and Euro 5 compliant light goods vehicles registered on or after 1 March 2001	£140.00
All other vans	£230.00

Motorcycle (with or without sidecar) VED:

Engine size (cc)	12 months' rate
Not over 150	£17.00
151-400	£39.00
401-600	£60.00
Over 600	£82.00

Tricycle (not over 450kg unladen) VED:

Engine size (cc)	12 months' rate
Tricycle not over 150	£17.00
All other tricycles	£82.00

Trade licences:

Vehicle	12 months' rate
All vehicles	£165.00
Bicycles and tricycles not over 450kg	£82.00

APPROPRIATE PERCENTAGES FOR CAR BENEFIT CALCULATIONS IN FUTURE YEARS

CO_2 emissions	2016-17	CO_2 emissions	2017-18	CO_2 emissions	2018-19	CO_2 emissions	2019-20
0-50	7%	0-50	9%	0-50	13%	0-50	16%
51-75	11%	51-75	13%	51-75	16%	51-75	19%
76-94	15%	76-94	17%	76-94	19%	76-94	22%
95-99	16%	95-99	18%	95-99	20%	95-99	23%
100-104	17%	100-104	19%	100-104	21%	100-104	24%
105-109	18%	105-109	20%	105-109	22%	105-109	25%
110-114	19%	110-114	21%	110-114	23%	110-114	26%
115-119	20%	115-119	22%	115-119	24%	115-119	27%
120-124	21%	120-124	23%	120-124	25%	120-124	28%
125-129	22%	125-129	24%	125-129	26%	125-129	29%
130-134	23%	130-134	25%	130-134	27%	130-134	30%
135-139	24%	135-139	26%	135-139	28%	135-139	31%
140-144	25%	140-144	27%	140-144	29%	140-144	32%
145-149	26%	145-149	28%	145-149	30%	145-149	33%
150-154	27%	150-154	29%	150-154	31%	150-154	34%
155-159	28%	155-159	30%	155-159	32%	155-159	35%
160-164	29%	160-164	31%	160-164	33%	160-164	36%
165-169	30%	165-169	32%	165-169	34%	165 and above	37%
170-174	31%	170-174	33%	170-174	35%		
175-179	32%	175-179	34%	175-179	36%		
180-184	33%	180-184	35%	180 and above	37%		
185-189	34%	185-189	36%	**Diesel car supplement:** Add 3% for diesel cars, up to a maximum of 37% in total.			
190-194	35%	190 & above	37%				
195-199	36%						
200 and above	37%						

Appropriate percentages for cars without a CO_2 figure

Engine size	Appropriate % for a car without an approved CO_2 figure first registered after 1 January 1998 (eg a grey import)	
	2016-17	**2019-20**
≤1400	15%	23%
>1400 and ≤2000	25%	34%
>2000	35%	37%

The rules will change from April 2017, as follows:

Cars with neither a CO_2 emissions figure nor an engine cylinder capacity and which cannot produce any CO_2 emissions in any circumstances

	2017-18	**2018-19**	**2019-20**
Appropriate percentage	9%	13%	16%

CAR FUEL BENEFIT

Company Car Fuel Benefit Charge	2016-17	2017-18
Car Fuel Benefit Charge Multiplier	£22,200	RPI increase

VAN BENEFIT CHARGES

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Taxable amount for conventionally-fuelled vans	£3,170	RPI increase	RPI increase	RPI increase	RPI increase	RPI increase	
Zero emission vans, benefit charges as a % of amount payable for conventionally-fuelled vans	20%	20%	40%	60%	80%	90%	100%

VAN FUEL BENEFIT

Multiplier £598 from April 2016. Will increase by RPI in future.

Advisory fuel rates as at 1 March 2016

These are reviewed quarterly and the up-to-date rates can be obtained from the HMRC website.

	Refunded per mile	
cc	**Petrol or petrol/hybrid**	**LPG**
Under 1401	10p	7p
1401-2000	12p	8p
Over 2000	19p	13p
cc	**Diesel or diesel/hybrid**	
Under 1601	8p	
1601-2000	10p	
Over 2000	11p	

VAT

	April 2016-17
Standard rate	20%
Reduced rate	5%
Zero rate	0%
Exempt	n/a

VAT registration and deregistration thresholds

	April 2016
Registration threshold	£83,000
Deregistration threshold	£81,000

VAT scale charges from 1 May 2016

12 month period

CO_2 band	VAT inclusive charge £	VAT £	VAT exclusive charge £
120 or less	£536.00	£89.33	£446.67
125	£802.00	£133.67	£668.33
130	£857.00	£142.83	£714.17
135	£909.00	£151.50	£757.50
140	£965.00	£160.83	£804.17
145	£1,016.00	£169.33	£846.67
150	£1,072.00	£178.67	£893.33
155	£1,123.00	£187.17	£935.83
160	£1,179.00	£196.50	£982.50
165	£1,231.00	£205.17	£1,025.83
170	£1,286.00	£214.33	£1,071.67
175	£1,338.00	£223.00	£1,115.00
180	£1,393.00	£232.17	£1,160.83
185	£1,445.00	£240.83	£1,204.17
190	£1,501.00	£250.17	£1,250.83
195	£1,552.00	£258.67	£1,293.33
200	£1,608.00	£268.00	£1,340.00
205	£1,660.00	£276.67	£1,383.33
210	£1,715.00	£285.83	£1,429.17
215	£1,767.00	£294.50	£1,472.50
220	£1,822.00	£303.67	£1,518.33
225 or more	£1,874.00	£312.33	£1,561.67

3 month period

CO_2 band	VAT inclusive charge £	VAT £	VAT exclusive charge £
120 or less	£133.00	£22.17	£110.83
125	£200.00	£33.33	£166.67
130	£213.00	£35.50	£177.50
135	£227.00	£37.83	£189.17
140	£240.00	£40.00	£200.00
145	£254.00	£42.33	£211.67
150	£267.00	£44.50	£222.50
155	£281.00	£46.83	£234.17
160	£294.00	£49.00	£245.00
165	£308.00	£51.33	£256.67
170	£320.00	£53.33	£266.67
175	£334.00	£55.67	£278.33
180	£347.00	£57.83	£289.17
185	£361.00	£60.17	£300.83
190	£374.00	£62.33	£311.67
195	£388.00	£64.67	£323.33
200	£401.00	£66.83	£334.17
205	£415.00	£69.17	£345.83
210	£428.00	£71.33	£356.67
215	£441.00	£73.50	£367.50
220	£455.00	£75.83	£379.17
225 or more	£468.00	£78.00	£390.00

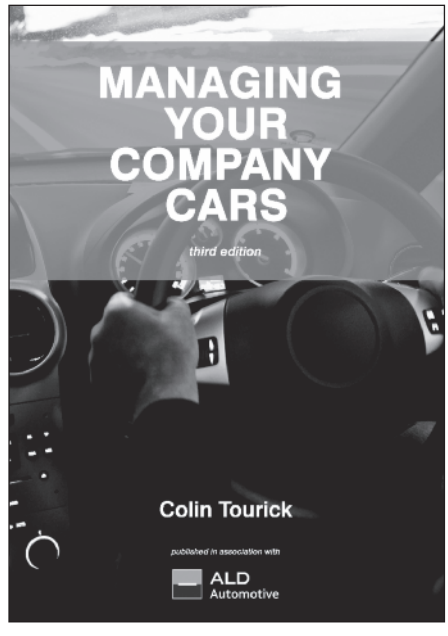
Monthly period

CO_2 band	VAT inclusive charge £	VAT £	VAT exclusive charge £
120 or less	£44.00	£7.33	£36.67
125	£66.00	£11.00	£55.00
130	£70.00	£11.67	£58.33
135	£75.00	£12.50	£62.50
140	£80.00	£13.33	£66.67
145	£84.00	£14.00	£70.00
150	£88.00	£14.67	£73.33
155	£93.00	£15.50	£77.50
160	£97.00	£16.17	£80.83
165	£102.00	£17.00	£85.00
170	£106.00	£17.67	£88.33
175	£111.00	£18.50	£92.50
180	£115.00	£19.17	£95.83
185	£119.00	£19.83	£99.17
190	£124.00	£20.67	£103.33
195	£129.00	£21.50	£107.50
200	£133.00	£22.17	£110.83
205	£138.00	£23.00	£115.00
210	£142.00	£23.67	£118.33
215	£146.00	£24.33	£121.67
220	£151.00	£25.17	£125.83
225 or more	£155.00	£25.83	£129.17

6 INDEX

Also by Colin Tourick

Colin Tourick has written or edited seven books on vehicle management and leasing, most of which have been updated and republished several times.



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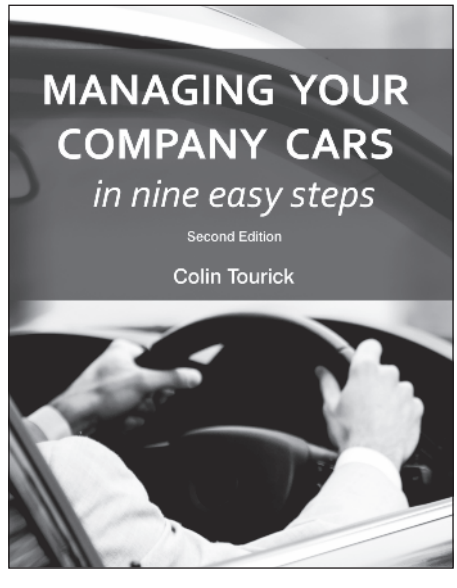

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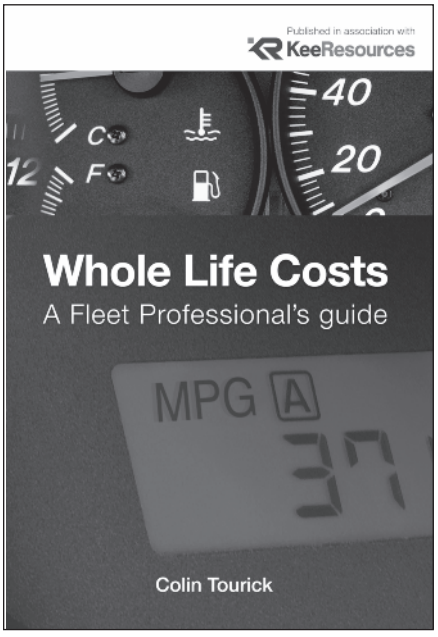

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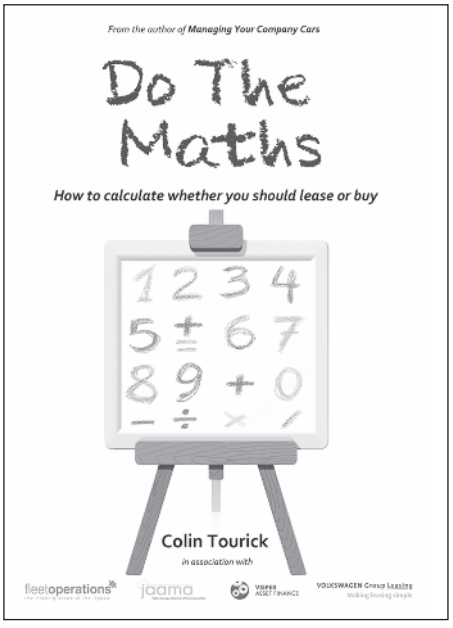

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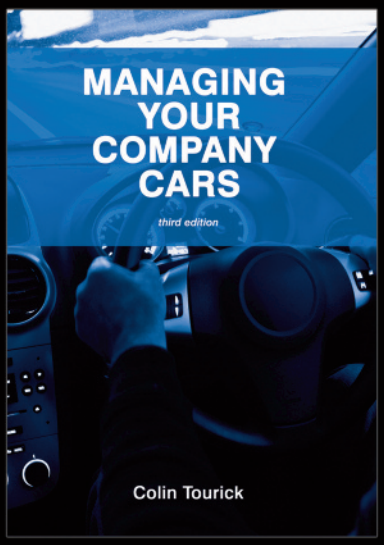
Colin is a management consultant specialising in vehicle leasing and management. He has worked in senior roles in the leasing industry since 1980 and for the last twelve years has been a fleet management consultant working for some of the world's largest banks, motor manufacturers and vehicle leasing companies.

Colin is the Grant Thornton Professor of Automotive Management at the University of Buckingham.



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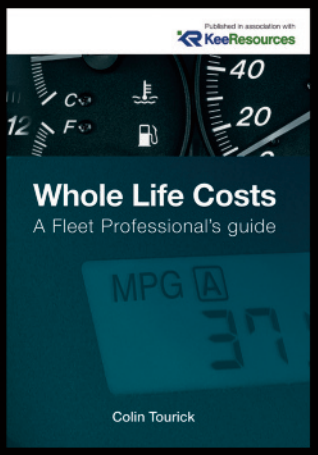

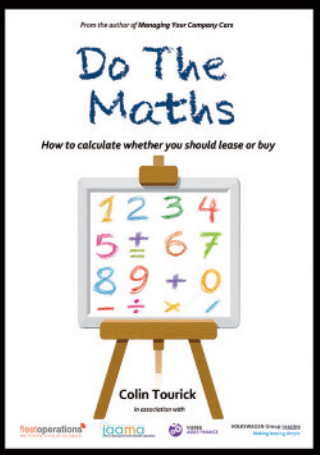

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