

## Cars for Employees

The current regime for taxing employer provided cars (commonly referred to as company cars) is intended:

- to encourage manufacturers to produce cars which are more environmentally friendly and
- to give employee drivers and their employers a tax incentive to choose more fuel-efficient and environmentally friendly vehicles.

We set out below the main areas of importance. Please do not hesitate to contact us if you require further information.

### The rules

Employer provided cars are taxed by reference to the list price of the car but graduated according to the level of its carbon dioxide (CO<sub>2</sub>) emissions.

### Percentage charges

CO <sub>2</sub> emissions (g/km)	2017/18 % of car's price taxed	2018/19 % of car's price taxed
0 - 50	9	13
51 - 75	13	16
76 - 94	17	19
95	18	20
100	19	21
105	20	22
110	21	23
115	22	24
For every additional 5g thereafter add 1%	-	-
Until the maximum percentage is reached	37	37

\*Emissions are rounded down to nearest 5g/km for values above 95g/km

### Examples

Jane was provided with a new company car, a Mercedes CLK 430, on 6 April 2016. The list price is £50,000. The CO<sub>2</sub> emissions are 240 g/km.

For 2017/18 and 2018/19 Jane's benefit will be £50,000 x 37% = £18,500.

Phil has a company car, a BMW 318i, which had a list price of £21,000 when it was provided new on 6 April 2017. The CO<sub>2</sub> emissions are 117 grams per kilometre. Note: The CO<sub>2</sub> emissions are rounded down to the nearest 5 grams per kilometre - in this case 115.

Phil's benefit for 2017/18 is: £21,000 x 22% = £4,620. Phil's benefit will increase for 2018/19 to £5,040 being £21,000 x 24%.

### Diesels

Diesel cars emit less CO<sub>2</sub> than petrol cars and so would be taxed on a lower percentage of the list price than an equivalent petrol car. However, diesel cars emit greater quantities of air pollutants than petrol cars and therefore a supplement of 3% of the list price generally applies to diesel cars.

The government announced in the Autumn Budget 2017 that they will legislate to increase the diesel supplement from 3% to 4%. This will apply to all diesel cars registered from 1 January 1998 that do not meet the Real Driving Emissions Step 2 (RDE2) standards. There is no change to the current position that the diesel supplement does not apply to hybrid cars. The change will have effect from 6 April 2018

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## Example

A diesel car that would give rise to a 22% charge on the basis of its CO<sub>2</sub> emissions will instead be charged at 25% for 2017/18. For 2018/19 a 22% diesel car would be charged at 26%. The maximum charge for diesel is capped at 37%.

## Obtaining emissions data

The Vehicle Certification Agency produces a free guide to the fuel consumption and emissions figures of all new cars. It is available on the internet at [www.carfueldata.direct.gov.uk](http://www.carfueldata.direct.gov.uk). These figures are not however necessarily the definitive figures for a particular car. The definitive CO<sub>2</sub> emissions figure for a particular vehicle is recorded on the Vehicle Registration Document (V5).

## The list price

- The list price of a car is the price when it was first registered including delivery, VAT and any accessories provided with the car. Accessories subsequently made available are also included (unless they have a list price of less than £100).
- Employee capital contributions up to £5,000 reduce the list price.

## Employer's Class 1A national insurance contributions

The benefit chargeable to tax on the employee is also used to compute the employer's liability to Class 1A (the rate is currently 13.8%).

## Imported cars

Some cars registered after 1 January 1998 may have no approved CO<sub>2</sub> emissions figure, perhaps if they were imported from outside the EC. They are taxed according to engine size.

Engine size (cc)	% of list price charged to tax 2017/18	% of list price charged to tax 2018/19
0 - 1400	16%	23%
1401 - 2000	27%	34%
Over 2000	37%	37%

## Private fuel

There is a further tax charge where a company car user is supplied with or allowed to claim reimbursement for fuel for private journeys.

The fuel scale charge is based on the same percentage used to calculate the car benefit. This is applied to a set figure which is £23,400 for 2018/19 (£22,600 for 2017/18). As with the car benefit, the fuel benefit chargeable to tax on the employee is used to compute the employer's liability to Class 1A. The combined effect of the charges makes the provision of free fuel a tax inefficient means of remuneration unless there is high private mileage.

The benefit is proportionately reduced if private fuel is not provided for part of the year. So taking action now to stop providing free fuel will have an immediate impact on the fuel benefit chargeable to tax and NIC.

Please note that if free fuel is provided later in the same tax year there will be a full year's charge.

## Business fuel

No charge applies where the employee is solely reimbursed for fuel for business travel.

HMRC issue advisory fuel only mileage rates for employer provided cars. Employers can adopt the rates in the following table but may pay lower rates if they choose.

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## Rates from 1 December 2017

Engine size	Petrol
1400cc or less	11p
1401cc - 2000cc	14p
Over 2000cc	21p
Engine size	LPG
1400cc or less	7p
1401cc - 2000cc	9p
Over 2000cc	14p
Engine size	Diesel
1600cc or less	9p
1601cc - 2000cc	11p
Over 2000cc	13p

HMRC update these rates on a quarterly basis in March, June, September and December. The latest rates can be found at [www.gov.uk/government/publications/advisory-fuel-rates](http://www.gov.uk/government/publications/advisory-fuel-rates).

## Employees' use of own car

There is also a statutory system of tax and NIC free mileage rates for business journeys in employees' own vehicles.

The statutory rates are:

	Rate per mile
Up to 10,000 miles	45p
Over 10,000 miles	25p

Employers can pay up to the statutory amount without generating a tax or NIC charge. Payments made by employers are referred to as 'mileage allowance payments'. Where employers pay less than the statutory rate (or make no payment at all) employees can claim tax relief on the difference between any payment received and the statutory rate.

## How we can help

We can provide advice on such matters as:

- whether a car should be provided to an employee or a private car used for business mileage
- whether employee contributions are tax efficient
- whether private fuel should be supplied with the car.

Please contact us for more detailed advice.

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