logical. makes sense.

Budget Update March 2017

What the budget means to you.

Chancellor of the Exchequer Philip Hammond delivered his first Budget speech today (Wednesday, March 8, 2017). It was also the final spring Budget as Mr Hammond announced in last November's Autumn Statement a rescheduling of the two major fiscal-related announcements of the Parliamentary year. Starting in the Autumn, Britain will have an Autumn Budget announcing tax changes "well in advance of the start of the tax year". From 2018 there will be a Spring Statement, responding to the forecast from the Office of Budget Responsibility, but no major fiscal event. As a result, with today's Budget coming just four months after the Autumn Statement it has been viewed as a "transitional Budget" with no dramatic or radical announcements. Indeed many tax measures, including those relating to company car benefit-in-kind tax to the end of 2020/21, Vehicle Excise Duty for cars first registered from April 1, 2017, capital allowances, car fuel benefit charge, van benefit charge, van fuel benefit charge and Insurance Premium Tax had been previously announced. Below we highlight those measures previously announced, alongside other tax changes and spending plans published in the Budget papers and impacting on the company car and van sector and wider motor industry.

Company car tax.

In tax year 2017/18 the minimum company car benefit-in-kind tax charge will be 9% (0-50g/km) rising to 37% (190g/km+). In 2018/19 and 2019/20, company car benefit-in-kind tax follows the same well-established format. However, Budget 2017 confirmed the Autumn Statement 2016 announcement that the government would reshape company car benefit-in-kind taxation from April 2020 to provide a stronger incentive for fleets to operate ultra-low emission cars (currently defined as being up to a maximum of 75g/km) and employees to choose them as company cars. As a result, a mileage range element is to be introduced in 2020/21 applicable to zero emission cars and ultra-low emission cars (up to 50g/km) equipped with an electric battery and therefore able to be driven in zero emission mode. As the table below highlights, company car benefit-in-kind tax rates increase as a model's electric mileage range capability reduces. For internal combustion engine powered cars and plug-in vehicles with emissions above 50g/km, company car benefit-in-kind tax rates in 2020/21 start at 15% (51-54g/km), rising to 37% (160g/km+).

% of P11D	2017/18	2018/19	2019/20	2020/21
Price	CO^2 (g/km)	CO^2 (g/km)	CO^2 (g/km)	CO^2 (g/km) electric mileage range
0	n/a	n/a	n/a	
2	n/a	n/a	n/a	0-50 (zero emission of 130 miles+)
5	n/a	n/a	n/a	1-50 (70-129 miles)
7	n/a	n/a	n/a	n/a
8	n/a	n/a	n/a	1-50 (40-69 miles)
9	n/a	n/a	n/a	n/a
10	n/a	n/a	n/a	n/a
11	n/a	n/a	n/a	n/a
12	n/a	n/a	n/a	1-50 (40-69 miles)
13	51-75	0-50	n/a	n/a
14	n/a	n/a	n/a	1-5- (under 30 miles)
15	n/a	n/a	n/a	51-54
16	n/a	51-75	0-50	55-59
17	76-94	n/a	n/a	60-64
18	95-99	n/a	n/a	65-69
19	100-104	76-94	51-75	70-74
20	105-109	95-99	n/a	75-79
21	110-114	100-104	n/a	80-84
22	115-119	105-109	76-94	85-89
23	120-124	110-114	95-99	90-94

24	125-129	115-119	100-104	95-99
25	130-134	120-124	105-109	100-104
26	135-139	125-129	110-114	105-109
27	140-144	130-134	115-119	110-114
28	145-149	135-139	120-124	115-119
29	150-154	140-144	125-129	120-124
30	155-159	145-149	130-134	125-129
31	160-164	150-154	135-139	130-134
32	165-169	155-159	140-144	135-139
33	170-174	160-164	145-149	140-144
34	175-179	165-169	150-154	145-149
35	180-184	170-174	155-159	150-154
36	185-189	175-179	160-164	155-159
37	190+	180+	165+	160+

The above table shows Company car tax 2017/18 to 2020/21 For each tax year add 3% for diesel cars up to a maximum of 37% until April 2021.

Car salary sacrifice schemes and cash or car allowances

New rules governing car salary sacrifice schemes and cash or car allowances come into effect on April 6, 2017, as announced in the 2016 Autumn Statement, but the Budget failed to provide clarity on the specifics. On December 5 last year, the government published a policy paper 'Income Tax: Limitation on Salary Sacrifice' that outlined the changes. However, there have been subsequent meetings with tax experts and industry bodies to discuss the impact of the proposals. As a result, it was expected that final clarification on the changes would be published with the Budget papers. However, that did not happen so expect to see a separate HM Treasury announcement confirming the minutiae of the new rules in the very near future.

Air quality and diesel vehicles

The government has served notice that the "tax treatment for diesel vehicles" could change as it seeks to cut pollution from the transport sector and improve air quality. The government said it was committed to improving air quality and would consult on a detailed draft plan shortly that would set out how the UK's air quality goals would be achieved. Alongside that, the government said it would continue to explore what it called "the appropriate tax treatment for diesel vehicles", which included engaging with stakeholders ahead of making any tax changes at Autumn Budget 2017. As a result, fleets can expect diesel vehicle tax changes - and potentially increases - as the government reinforces its air quality strategy and its mission to convert fleets and consumers to plug-in and ultra-low emission vehicles.

Taxation of benefits-in-kind and employee expenses.

Employers can choose to remunerate their employees in a range of different ways, but the tax system treats those different forms of remuneration inconsistently.

As a result, the government is considering how the tax system could be made fairer and more coherent, including by looking at the taxation of benefits-in-kind and employee expenses.

Consequently, the government is to:

- Publish a call for evidence on exemptions and valuation methodology for the income tax and employer National Insurance Contributions' treatment of benefits-in-kind, in order to better understand whether their use in the tax system can be made fairer and more consistent.

- Publish a call for evidence to better understand the use of the income tax relief for employees' expenses, including those that are not reimbursed by their employer.

- Publish a consultation with proposals to bring the tax treatment of employer-provided accommodation and board and lodgings up to date. This will include proposals for when accommodation should be exempt from tax and to support taxpayers during any transition.

Whether the government's plans will impact on employers and employees in terms of company car benefit-in-kind taxation, business mileage reimbursement and travel expenses generally remains to be seen when the documents relating to the calls for evidence and consultation are published.

Vehicle Excise Duty

Vehicle Excise Duty (VED), as announced in the post-2015 general election Summer Budget, is being reformed from April 1.

For cars first registered from that date, VED will be based on CO2 emissions - £0 for zero emission cars up to £2,000 for those with emissions above 255g/km (see table below).

From the second year after registration for five years, all cars emitting 1 g/km and above will be taxed at a uniform VED rate of £140 a year (£10 reduction for alternative fuel vehicles), plus a £310 supplement for cars costing more than £40,000.

Zero emission cars will continue to be taxed at £0, but those costing more than £40,000 will be subject to the £310 supplement. After five years VED will revert to the standard rate of £140 (£0 for zero emission models).

The table below shows VED for cars first registered on or after April 1, 2017:

Emissions (g/km)of CO2	First Year Rate	Standard Rate*
0	£0	£0
1-50	£10	£140
51-75	£25	£140
76-90	£100	£140
91-100	£120	£140
101-110	£140	£140
111-130	£160	£140
131-150	£200	£140
151-170	£500	£140
171-190	£800	£140
191-225	£1200	£140
226-255	£1700	£140
Over 255	£2000	£140

* Cars with a list price above 40,000 pay a £310 supplement for five years. After the five-year period the vehicle will be taxed at the applicable standard rate.

NB: Alternative fuel discount 2017/18 £10 for all cars, applicable to first year rate and standard rate.

The table below shows Vehicle Excise Duty from April 1, 2017 for cars registered on or after March 1, 2001 but before April 1, 2017:

VED Band	CO2 Emissions (g/km)	Standard Rate*
A	Up to 100	£0
B	101-110	£20
C	111-120	£30
D	121-130	£115
E	131-140	£135
F	141-150	£150
G	151-165	£190
H	166-175	£220
I	176-185	£240
J	186-200	£280
K**	201-225	£305
L	226-255	£520
M	Over 255	£535

*Alternative fuel discount 2017/18 £10 all cars

**Includes cars emitting over 225 g/km registered before March 23, 2006

VED bands and 2017/18 rates for vans registered on or after March 1, 2001

All other vans - £240

Car fuel benefit charge 2017/18

Employees who are in receipt of company-funded fuel used privately will see their benefit-in-kind tax bills rise from April 6, 2017.The Chancellor confirmed in the Budget his Autumn Statement announcement that the fuel benefit charge multiplier for company cars would increase from £22,200 in 2016/17 to £22,600 in 2017/18.

Van benefit charge 2017/18

The van benefit-in-kind tax charge will increase from £3,170 in 2016/17 to £3,230 in 2017/18, the Budget confirmed. The charge for zero-emission vans remains at 20% of the main rate in 2017/18, but will then increase on a tapered basis to April 5, 2022 - 40% in 2018/19, 60% in 2019/20, 80% in 2020/21, 90% in 2021/22 and then equalising with the standard charge in 2022/23.The government says it will review the impact of the incentive at Budget 2018 together with enhanced capital allowances for zero-emission vans.

Van fuel benefit charge 2017/18

From April 6, 2017 the van fuel benefit charge multiplier will increase from £598 in 2016/17 to £610 in 2017/18, the Budget confirmed.

Fuel duty

Fuel duty is to be frozen again in 2017. It is the seventh consecutive year that there has been no increase.

Corporation Tax

The Chancellor confirmed the government's commitment to continue to reduce the main rate of Corporation Tax to 17% by 2020. Corporation Tax rates, which were at 20% in 2016/17, will reduce to 19% in 2017/18. They will remain at that rate in 2018/19 and 2019/20, before being cut to 17% in 2020/21, as previously announced.

Insurance Premium Tax

Insurance Premium Tax will increase from the current 10% to 12% from June 1, 2017 impacting also on vehicle insurance and roadside assistance policies. The rise was confirmed in the Budget having been announced in the 2016 Autumn Statement.

Capital allowances

The main rate threshold for capital allowances for business cars, currently set at 130g/km, will be reduced to 110g/km of CO2 and the 100% First Year Allowance (FYA) threshold to 50g/km from April 2018, to reflect falling vehicle emissions, the Budget confirmed. The Chancellor also confirmed that the FYA for businesses purchasing low emission cars would be extended to April 2021.The 2018/19 thresholds for capital allowances on cars bought outright will be:

- Vehicles up to 50g/km (reduced from 75g/km): Companies can write down the full cost against their taxable profits

- Vehicles emitting 51-110g/km: Companies can write down 18% of the cost of the car against their taxable profits each year, on a reducing balance basis

- Vehicle above 110g/km: Companies can write down 8% of the cost of the car against their taxable profits each year, on a reducing balance basis

It will also follow that leasing companies, which are ineligible to claim 100% first-year writing down allowances on cars, will be restricted to 18% (0-110g/km) and 8% (from 111g/km) on a reducing balance basis.

The CO2 threshold for the lease rental restriction is linked to the threshold for capital allowances for business cars, so the rate will be reduced from 130g/km to 110g/km from April 2018.

The government will further review the case for the FYA and the appropriate business cars emission thresholds from April 2021 at Budget 2019.

Driver less car technology

The Budget included an announcement on an investment of £270 million to keep the UK at the forefront of so called "disruptive technologies" which includes driverless vehicles as well as biotech and robotic systems. No further details are currently available.

Investment to ease traffic congestion

The Budget committed the government to spending £90 million in the North and £23 million in the Midlands from a £220 million fund that addresses traffic congestion pinch-points on the national road network. Additionally, the government has launched a £690 million competition for local authorities across England to tackle urban congestion and get local transport networks moving again. The Transport Secretary will announce details shorty.