

Introduction

Chancellor of the Exchequer George Osborne delivered his sixth budget speech yesterday (Wednesday, March 18, 2015). Below we highlight the Chancellor's key measures that will impact on the company car and van sector and wider motor industry.

Key announcements:

- ❖ **Fuel benefit charge (FBC):** The Government FBC used to calculate the tax due on employer-provided fuel for private use rises from £21,700 to £22,100 from April 6th 2015. For vans, the benefit charge rises to £594 from the same date. Regulations will be introduced to increase the FBC multipliers for both company cars in line with RPI with effect from April 6th 2016.
- ❖ **Van benefit charge (VBC):** For conventionally fuelled light commercial vehicles, including 'Double-Cab' pick-up trucks, the VBC rises from £3,090 in 2014/15 to £3,150 in 2015/16, or £3,744 (from £3,581) if the employer also provides 'free' fuel for private mileage. Regulations will be introduced to increase the VBC in line with inflation with effect from April 6th 2016. The increase will be based on the September 2015 Retail Price Index figure.
- ❖ **Van benefit charge (VBC) for zero-emission vans:** VBC is now supported on a tapered basis until 2020. In 2015/16 the VBC rate paid by electric vans is 20% of the rate paid by conventionally fuelled vans, followed by 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020. The Government will review VBC support for zero emission vans in light of market developments at Budget 2016.
- ❖ **Company car tax (CCT) bands:** New CCT bandings come into force on April 6th 2015, rising by two percentage points compared with 2014/15. Previously tax-exempt drivers of ultra-low emission cars with CO2 emissions of 0-50g/km are subject to tax from this date at the lowest rate of 5% (8% for diesels). Drivers of cars with CO2 emissions of between 51-75g/km attract CCT in the 9% band (12% for diesels). Diesel hybrids are exempt from the 3% diesel tax charge. The new bands are shown on page 3.
- ❖ **Vehicle Excise Duty (VED):** New first-year and standard VED rates for cars in Band H and above (those with CO2 emissions of 166g/km and above) apply from April 1st 2015. The rise means 'Showroom Tax' also increases, with rates of up to £595 now applying to qualifying cars.
- ❖ **Road fuel duty:** The planned 0.54p/litre rise in road fuel duty scheduled for September 2015 is cancelled.
- ❖ **Diesel 3% tax charge:** From April 6th 2016, the 3% diesel tax charge is abolished, enabling diesel cars to be taxed at the same rate as petrol cars. However, the lowest CCT rate increases to 7% for cars with CO2 emissions of 0-50g/km, while drivers of cars with CO2 emissions of 51-75g/km are taxed at 11%. Drivers of many diesel cars will see a small reduction in their annual BIK tax liabilities compared with 2015/16.

- ❖ **Class 1A National Insurance Contributions (NICs):** Class 1A NICs, payable by employers on the company car benefit, remain as for 2014/15 at 13.8% of taxable value annually.
- ❖ **Fuel allowances:** Approved Mileage Allowance Payments (AMAPs) rates, for business mileage in a private car, remain at 45p/mile for the first 10,000 business miles, and 25p/mile for business mileage over 10,000.

Fuel allowances

The Government fuel scale charge for calculating the tax due on employer-provided 'free' fuel for private use in a company car rises to £22,100 from April 6th 2015.

As electricity is not a fuel, there is currently no fuel benefit charge. This means that if an employer allows an employee with a company or personally owned car to top up the battery of their Battery Electric Vehicle (BEV), Plug-in Hybrid Electric Vehicle (PHEV) or Electric Range Extender Vehicle (E-REV) at work, this does not qualify as a car fuel benefit charge.

For other fuels, to calculate your tax liability if you receive the 'free' fuel benefit, you need to know:

- ❖ The car's combined fuel consumption and BIK tax percentage
- ❖ The price of fuel used
- ❖ The driver's marginal tax rate and Government fuel scale charge figure

Company-owned light commercial vehicles

For 2015/16, the Van Benefit Charge (VBC) rate for drivers of company vans, including 'double-cab' pick-ups, who use their vehicles for private

mileage is set at £3,150, or £3,744 if the employer also provides 'free' fuel.

This translates to annual tax payable on any company van used privately of £630 (up from £618) for a 20% tax payer, or £1,260 (up from £1,236) for a 40% tax payer. Where fuel is also provided for private use, the tax payable is £749 (up from £717) for a 20% tax payer, or £1,498 (up from £1,433) for a 40% tax payer. Employees using their vans to drive from home to customers, and who are not allowed other private use, do not pay BIK tax.

In 2015/16 the VBC rate paid on electric vans is 20% of the rate paid by conventionally fuelled vans, followed by 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020. The Government will review VBC support for zero emission vans in light of market developments at Budget 2016.

Class 1A NIC in 2015/16: light commercial vehicles

Annual Class 1A National Insurance Contributions for LCVs, including 'Double-Cab' pick-ups, in 2015/16 are based on the same taxable values used for BIK tax calculations (see above). The amounts payable are calculated by multiplying the taxable values by 13.8%. The example (below) shows the levels of contribution.

Vehicle Excise Duty in 2015/16: light commercial vehicles

Euro IV emissions standards for vans became mandatory for all vehicles registered after December 31, 2006.

Company Car Tax in 2015/16 and beyond

2015/16

Cars with CO2 emissions of 0-50g/km qualify for company car tax at 5% (8% for diesels), while those with CO2 emissions of 51-75g/km qualify in the 9% band (12% for diesels). The rate for cars with CO2 emissions of 76-94g/km is 13% (16% for diesels), increasing by 1% for every 5g/km to a new maximum of 37%, as shown in the chart below.

2016/17

The 3% tax charge for diesels is abolished so that diesel cars will become subject to the same level of tax as petrol cars. At the same time the rate for cars emitting 0-50g/km of CO2 rises to 7%, while the rate for CO2 emissions of 51-75g/km rises to 11%. The rule change results in a reduction in BIK tax liability in 2016/17 for drivers of diesel cars with CO2 emissions of up to 199g/km compared with 2015/16.

2017/18 and beyond

A four percentage point differential separates the 0-50g/km and 51-75g/km CO2 bands and the 51-75g/km and 76-94g/km CO2 bands, reducing to a three percentage point differential in 2018/19 and 2019/20.

Calculating company car tax in 2015/16

The calculation of company car tax liability in 2015/16 depends on the car's P11D price and CO2 emissions, and whether or not it is a petrol or diesel model. All diesel cars registered on or after January 1st 2006, are liable to a 3% tax charge.

Vehicle CO2 g/km	2015-16 %BIK Rate		2016-17 %BIK Rate	2017-18 %BIK Rate	2018-19 %BIK Rate	2019-20 %BIK Rate
	Petrol	Diesel	All fuels	All fuels	All fuels	All fuels
1-50	5		7	9	13	16
51-75	9		11	13	16	19
76-94	13	16	15	17	19	22
95-99	14	17	16	18	20	23
100-104	15	18	17	19	21	24
105-109	16	19	18	20	22	25
110-114	17	20	19	21	23	26
115-119	18	21	20	22	24	27
120-124	19	22	21	23	25	28
125-129	20	23	22	24	26	29
130-134	21	24	23	25	27	30
135-139	22	25	24	26	28	31
140-144	23	26	25	27	29	32
145-149	24	27	26	28	30	33
150-154	25	28	27	29	31	34
155-159	26	29	28	30	32	35
160-164	27	30	29	31	33	36
165-169	28	31	30	32	34	37
170-174	29	32	31	33	35	37
175-179	30	33	32	34	36	37
180-184	31	34	33	35	37	37
185-189	32	35	34	36	37	37
190-194	33	36	35	37	37	37
195-199	34	37	36	37	37	37
200-204	35	37	37	37	37	37
205-209	36	37	37	37	37	37
210-214	37	37	37	37	37	37
215-219	37	37	37	37	37	37
220-224	37	37	37	37	37	37
225-229	37	37	37	37	37	37
230 or above	37	37	37	37	37	37

Vehicle Excise Duty in 2015/16

The existing 13-band VED structure remains in place for 2015/16 with new rates applicable to cars in Band H (166-175g/km) and above from April 1st 2015, according to the chart below. The key points are:

- ❖ New cars with CO2 emissions of up to 100g/km remain 100% exempt from VED.
- ❖ New cars with CO2 emissions of up to 130g/km remain exempt from first-year VED.

- ❖ First-year VED rates add a ‘Showroom Tax’ of up to £595 to prices of cars in Band H and above.
- ❖ In 2015/16, the alternative fuel annual VED rate discount is set at £10 for all qualifying cars.

VED Band	Vehicle CO2 emissions	Standard rate 2015-2016	First year rate 2015-2016	Standard rate Green car 2015-2016	First year rate Green car 2015-2016
A	Up to 100 g/km	£0	£0	£0	£0
B	101-110 g/km	£20	£0	£10	£0
C	111-120 g/km	£30	£0	£20	£0
D	121-130 g/km	£110	£0	£100	£0
E	131-140 g/km	£130	£130	£120	£120
F	141-150 g/km	£145	£145	£135	£135
G	151-165 g/km	£180	£180	£170	£170
H	166-175 g/km	£205	£295	£195	£285
I	176-185 g/km	£225	£350	£215	£340
J	186-200 g/km	£265	£490	£255	£480
K*	201-225 g/km	£290	£640	£280	£630
L	226-255 g/km	£490	£870	£480	£860
M	Over 255 g/km	£505	£1100	£495	£1090

Capital allowances

In 2015/16, new company cars purchased outright with CO2 emissions between 76g/km and 130g/km are eligible for an 18% annual capital allowance, while those with emissions of 131g/km or above are eligible for only 8% a year (no change vs. 2014/15).

A 100% first-year allowance (FYA) applies to cars with CO2 emissions of 75g/km or less until March 31st 2018.

Leasing companies cannot claim the first-year allowance.

Zero-emission electric vans have been eligible for a 100% FYA since April 2010, and join all Ultra-Low Emitting Vehicles (ULEVs) with CO2 emissions of 75g/km or less until March 2018.

Lease rental restriction

The amounts payable on lease rentals are normally an allowable expense for businesses that can be offset against corporation or income tax. In 2015/16, the CO2 emissions-based eligibility threshold applying to lease rental

restriction is the same as the threshold for capital allowances, at 130g/km (no change vs. 2014/15).

For 2015/16, new cars with CO2 emissions of 130g/km or less are eligible for 100% of their lease costs to be offset against tax, while for those with CO2 emissions of 131g/km only 85% is claimable.

Class 1A NIC

For 2015/16 the percentage for the calculation of employers’ Class 1A National Insurance Contributions (NICs) on the company car and fuel benefits remains as for 2014/15 at 13.8%.

To calculate annual Class 1A NICs due, you need to know the car’s taxable value, derived from multiplying the P11D price by the relevant BIK tax percentage.

Business mileage in a private car: reimbursement rates in 2015/16

The 2015/16 Tax and National Insurance-exempted amounts claimable under the HM Revenue & Customs Authorised Mileage Allowance Payments (AMAPs) rates for business mileage in a private car are shown below. Electric and hybrid cars are treated in the same way as petrol and diesel cars. If your employer reimburses you at a lower rate than the AMAP rates, you are entitled to claim tax relief on the difference. Conversely, reimbursements made at a higher level than the AMAPs will incur tax.