

There is often too much jargon used in the leasing industry. At the very least, terms that many people are not familiar with can often lead to confusion. We have therefore created this simple guide to explain more simply what terms mean. We hope you find it helpful.

A

Authorised Mileage Allowance Payments (AMAPs)

The statutory maximum reimbursement rates for employees undertaking business mileage in a private car.

Advisory Fuel Rates (AFRs)

The rates published by HMRC for reimbursement for employees undertaking business mileage in a company car. If the rate paid per mile of business travel is no higher than the advisory rate for the particular engine size and fuel type of the car, HMRC will accept that there is no taxable profit and no Class 1 NICs liability.

B

Balloon

A large final payment under a financing agreement that is normally set in-line with the forecast residual of the car.

Business Mileage

Any journey which the employee is obliged to undertake in the performance of their duties. Home to a permanent place of work travel is not deemed business mileage.

C

Capital Allowance

A means of obtaining a tax relief for the depreciation of an asset spread over a number of years.

Capital Contribution

A capital sum an employee contributes towards the expenditure on the provision of a company car or qualifying accessory. The amount of the contribution is deducted from the list price when calculating the income tax due on the Benefit in Kind.

Car Fuel Benefit

The reportable value of fuel provided for private use in a company car.

Company Car Benefit

The amount chargeable to tax on an individual for a company car in a tax year.

Contract Hire

The leasing of a car for a fixed monthly cost over a pre-agreed contract term and mileage. The car is returned to the owner (the fleet provider) at the end of the contract term. The agreement may include the provision of services such as maintenance.

Contract Purchase

A deferred purchase agreement normally with a balloon payment. The agreement may include the provision of services such as maintenance.

Contributions for Private Use

The amount an employee is required to pay as a condition of the car being available for private use. The amount of the contribution is deducted from the company car benefit for the year in which payments were made.

D

Depreciation

The loss in value between the purchase price and sale value of a car. This may differ from the depreciation for tax or accounting purposes.

The A-Z Jargon Buster of Leasing Terms

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F

Finance Lease

Generally a lease that transfers substantially the risks and rewards of ownership of an asset to the lessee. The agreement may include the payment of a balloon payment or may be a fully amortised with no balloon.

Fuel Card

A method of payment whereby the business pays for the fuel used by an employee.

Fuel Scale Charge

The taxable benefit where an employee is provided with free fuel for private use.

H

Hire Purchase

A purchase agreement where the title (ownership) does not pass until an option to purchase has been satisfied. This is normally a nominal payment.

L

Lease

An arrangement where the customer has use of goods but does not legally own them.

Lease Rental

The payment under a lease agreement.

Lessee

The customer in a lease agreement.

Lessor

The owner of the goods in a lease agreement.

List Price

See P11D Value.

O

Operating Lease

A lease where the risks and rewards of ownership are borne by the lessor. Normally defined as a lease other than a finance lease.

P

P11D Value

The list price of a company car which the company car benefit is based upon.

Personal Contract Purchase (PCP)

A personal agreement for the purchase of a car by instalments through a finance company. Normally payments will be of equal amounts over the life of the contract except for a larger final payment (often referred to as the balloon payment).

Private Mileage

Any mileage that does not constitute business mileage.

R

Rental

See lease rental.

Residual Value

The amount for which a car is sold for at the end of the contract.

T

Tax Year

For an individual, the tax year ends on 5 April. Therefore the 2012/2013 tax year runs from 6 April 2012 to 5 April 2013.

W

Whole Life Cost

The post corporation tax cost of funding a company car or cash allowance which includes all commercial costs (such as payments, maintenance, business fuel etc) as well as all direct and indirect tax costs.

Writing Down Allowance (WDA)

The amount of capital allowances that may be claimed in any single year, calculated as a percentage of the car's written down value for which a deduction may be taken in the company's tax computation.

Written Down Value

The residual tax value of a car in a company's tax computation. It is the original value of the car less the sum of capital allowances given since its purchase.

V

Value Added Tax (VAT)

VAT is charged on taxable supplies of goods and services.

VAT Fuel Scale Charge

Where a business pays for road fuel on behalf of its employees a method of dealing with the VAT charged on the fuel is to reclaim all of the VAT and pay the appropriate fuel scale charge. This is a way of accounting for output tax on fuel that a business buys but that is then used for private motoring.