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How changes to corporate tax relief & BIK on company cars can save both employer and employee alike.

April 2009



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This car can reduce all of the following:-

Employees BIK in both fuel and car terms

Employers 1A NIC costs

Vehicle Running Costs – VED & Fuel

and

Offers significant capital allowance advantages



# Petrol whole life cost comparison (3 years / 60k miles)

	<b>INSIGHT VS PETROL</b>			
	Insight SE	Prius T3	Golf SE 1.4 TSI (122)	Focus Style 1.6
Fuel economy (combined mpg)	64.2	65.7	45.6	42.2
CO2	101	104	144	159
BIK tax banding	10%	10%	16%	19%
<b>P11D</b>	<b>£15,420</b>	<b>£17,800</b>	<b>£15,787</b>	<b>£15,645</b>
<b>Fuel cost</b>	<b>£3,870</b>	<b>£3,782</b>	<b>£5,449</b>	<b>£5,888</b>
<b>SMR</b>	<b>£940</b>	<b>£1,424</b>	<b>£1,683</b>	<b>£1,615</b>
<b>Class 1A National Insurance</b>	<b>£592</b>	<b>£684</b>	<b>£970</b>	<b>£1,141</b>
<b>Road tax (VED)</b>	<b>£45</b>	<b>£45</b>	<b>£360</b>	<b>£435</b>
<b>RV %</b>	<b>43%</b>	<b>37%</b>	<b>42%</b>	<b>24%</b>
<b>RV value</b>	<b>£6,700</b>	<b>£6,825</b>	<b>£6,625</b>	<b>£3,725</b>
<b>WHOLE LIFE COST TO COMPANY</b>	<b>£14,168</b>	<b>£16,910</b>	<b>£17,624</b>	<b>£21,000</b>
p.p.m	£0.24	£0.28	£0.29	£0.35
<b>SAVING TO COMPANY PER INSIGHT</b>		<b>£2,742</b>	<b>£3,457</b>	<b>£6,832</b>
<b>Driver BIK tax over 3 years (20% taxpayer)</b>	<b>£925</b>	<b>£1,068</b>	<b>£1,516</b>	<b>£1,784</b>
<b>SAVING TO DRIVER PER INSIGHT</b>		<b>£143</b>	<b>£590</b>	<b>£858</b>
<b>TOTAL SAVING PER INSIGHT</b>		<b>£2,885</b>	<b>£4,047</b>	<b>£7,690</b>
London congestion charge saving		£0	£6,240	£6,240
<b>TOTAL SAVING PER INSIGHT (including congestion charge)</b>		<b>£2,885</b>	<b>£10,287</b>	<b>£13,930</b>



# Diesel whole life cost comparison (3 years / 60k miles)

	<b>INSIGHT VS DIESEL</b>			
	Insight SE	Golf S 2.0 TDI (110)*	Astra Life A/C 1.7 CDTi ecoFlex	Focus ECONetic 1.6 TDCi (90)
Fuel economy (combined mpg)	64.2	57.6	62.8	65.6
CO2	101	128	119	114
BIK tax banding	10%	18%	13%	13%
<b>P11D</b>	<b>£15,420</b>	<b>£15,880</b>	<b>£16,790</b>	<b>£17,255</b>
<b>Fuel cost</b>	<b>£3,870</b>	<b>£4,778</b>	<b>£4,382</b>	<b>£4,195</b>
<b>SMR</b>	<b>£940</b>	<b>£1,458</b>	<b>£1,460</b>	<b>£1,499</b>
<b>Class 1A National Insurance</b>	<b>£592</b>	<b>£1,098</b>	<b>£838</b>	<b>£861</b>
<b>Road tax (VED)</b>	<b>£45</b>	<b>£360</b>	<b>£105</b>	<b>£105</b>
<b>RV %</b>	<b>43%</b>	<b>44%</b>	<b>22%</b>	<b>26%</b>
<b>RV value</b>	<b>£6,700</b>	<b>£7,050</b>	<b>£3,625</b>	<b>£4,500</b>
<b>WHOLE LIFE COST TO COMPANY</b>	<b>£14,168</b>	<b>£16,524</b>	<b>£19,951</b>	<b>£19,416</b>
p.p.m	£0.24	£0.28	£0.33	£0.32
<b>SAVING TO COMPANY PER INSIGHT</b>		<b>£2,356</b>	<b>£5,783</b>	<b>£5,248</b>
<b>Driver BIK tax over 3 years (20% taxpayer)</b>	<b>£925</b>	<b>£1,715</b>	<b>£1,310</b>	<b>£1,346</b>
<b>SAVING TO DRIVER PER INSIGHT</b>		<b>£790</b>	<b>£384</b>	<b>£421</b>
<b>TOTAL SAVING PER INSIGHT</b>		<b>£3,146</b>	<b>£6,167</b>	<b>£5,669</b>
London congestion charge saving	£0	£6,240	£6,240	£6,240
<b>TOTAL SAVING PER INSIGHT (including congestion charge)</b>		<b>£9,386</b>	<b>£12,407</b>	<b>£11,909</b>

## Introduction

- Changes form a part of the Government's overall "Green agenda"
- Changes to corporate tax relief on company cars came in on 1 April 2009
- These changes will affect the post tax cost of both owned and leased fleet cars acquired after 1 April 2009
- Basis of relief moving away from car retail price and towards CO<sub>2</sub> emission levels
- Changes of most benefit to carbon efficient car fleets



## Owned cars

### Existing Rules

#### Car purchase up to £12,000

- WDA of 20% per annum, on a reducing balance basis
- WDA of 100% in first year where CO<sub>2</sub> emissions do not exceed 110g/km

#### Car purchase over £12,000

- As above, except WDA capped to £3,000 per annum (except for sub 110g/km CO<sub>2</sub> emission cars)
- Balancing allowance on disposal (except for sub 110g/km CO<sub>2</sub> emission cars where 100% relief is given in year 1)

WDA: Writing down allowance – tax depreciation based on value of car

BA: Balancing allowance – the tax loss on disposal of car, for which tax relief is available

## Owned cars

### New Rules

#### CO<sub>2</sub> emissions up to 110g/km

- WDA of 100% in the first year
- No change in rules for these cars

#### CO<sub>2</sub> emissions between 110g/km and 160g/km

- WDA of 20% per annum on a reducing balance basis
- Balancing allowance on disposal no longer given

#### CO<sub>2</sub> emissions over 160g/km

- WDA of 10% per annum on a reducing balance basis
- Balancing allowance on disposal no longer given

WDA: Writing down allowance – tax depreciation based on value of car

BA: Balancing allowance – the tax loss on disposal of car, for which tax relief is available



## Changes to corporate tax relief on company cars

### Owned cars

### Worked example: Assuming no disposal

Honda Accord Saloon 2.2 ES GT with SatNav.

Retail price when new = £22,465. CO<sub>2</sub> emissions = 150g/km

	Relief under old rules (20% WDA, capped to £3,000 p.a.)	Relief under new rules (20% WDA, no capping)
Year 1	TWDV b/f = 22,465 WDA Yr 1 = (3,000) = £3,000 tax deduction	TWDV b/f = 22,465 WDA Yr 1 = (4,493) = £4,493 tax deduction
Year 2	TWDV b/f = 19,465 WDA Yr 2 = (3,000) = £3,000 tax deduction	TWDV b/f = 17,972 WDA Yr 2 = (3,594) = £3,594 tax deduction
Year 3	TWDV b/f = 16,465 WDA Yr 3 = (3,000) = £3,000 tax deduction	TWDV b/f = 14,378 WDA Yr 3 = (2,876) = £2,876 tax deduction
After 3 years	TWDV c/f = 13,465      £9,000 tax deductions taken to date	TWDV c/f = 11,502      £10,963 tax deductions taken to date

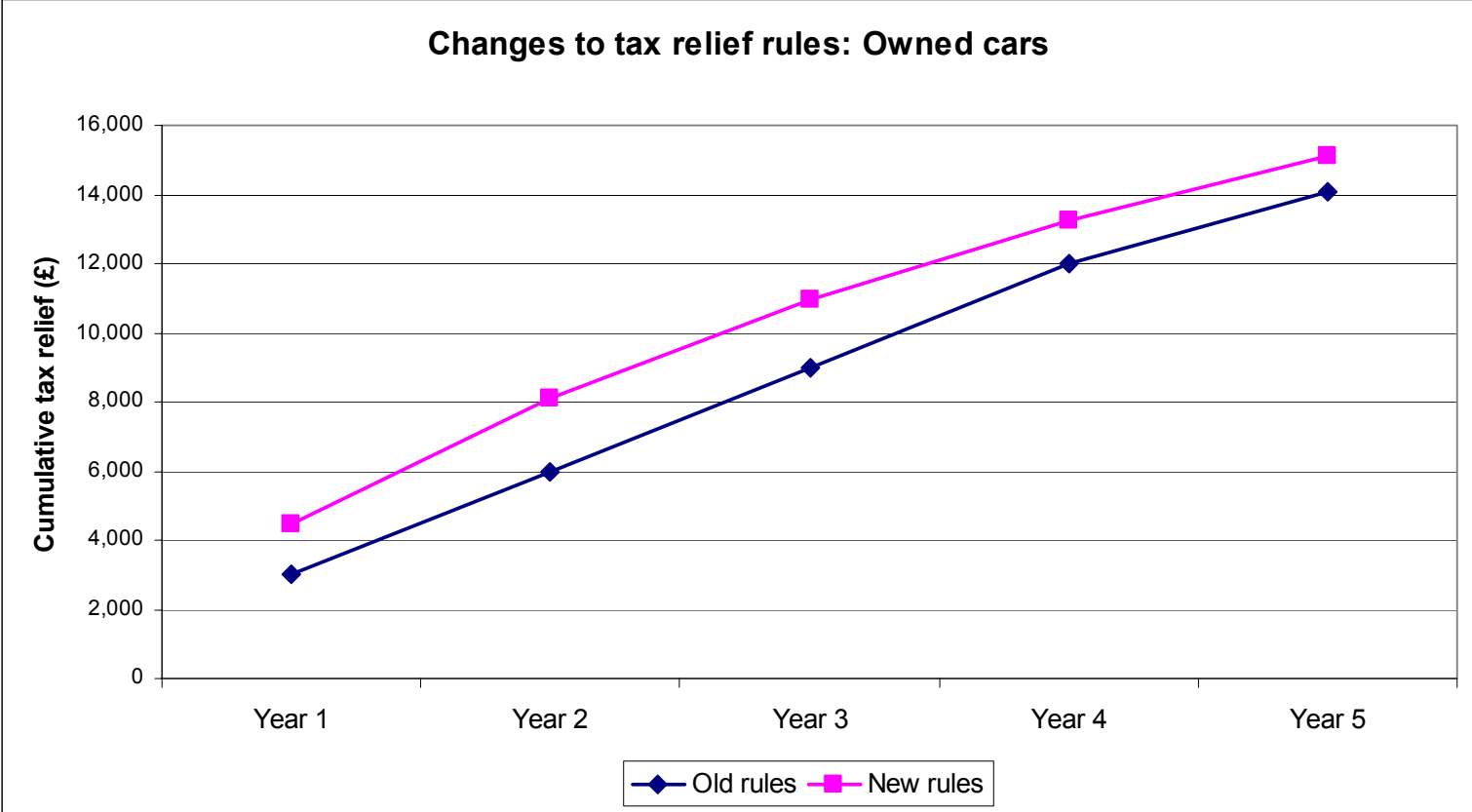
WDA: Writing down allowance – tax depreciation based on value of car

TWDV: Tax written down value – the amount of tax depreciation left to run



# Owned cars

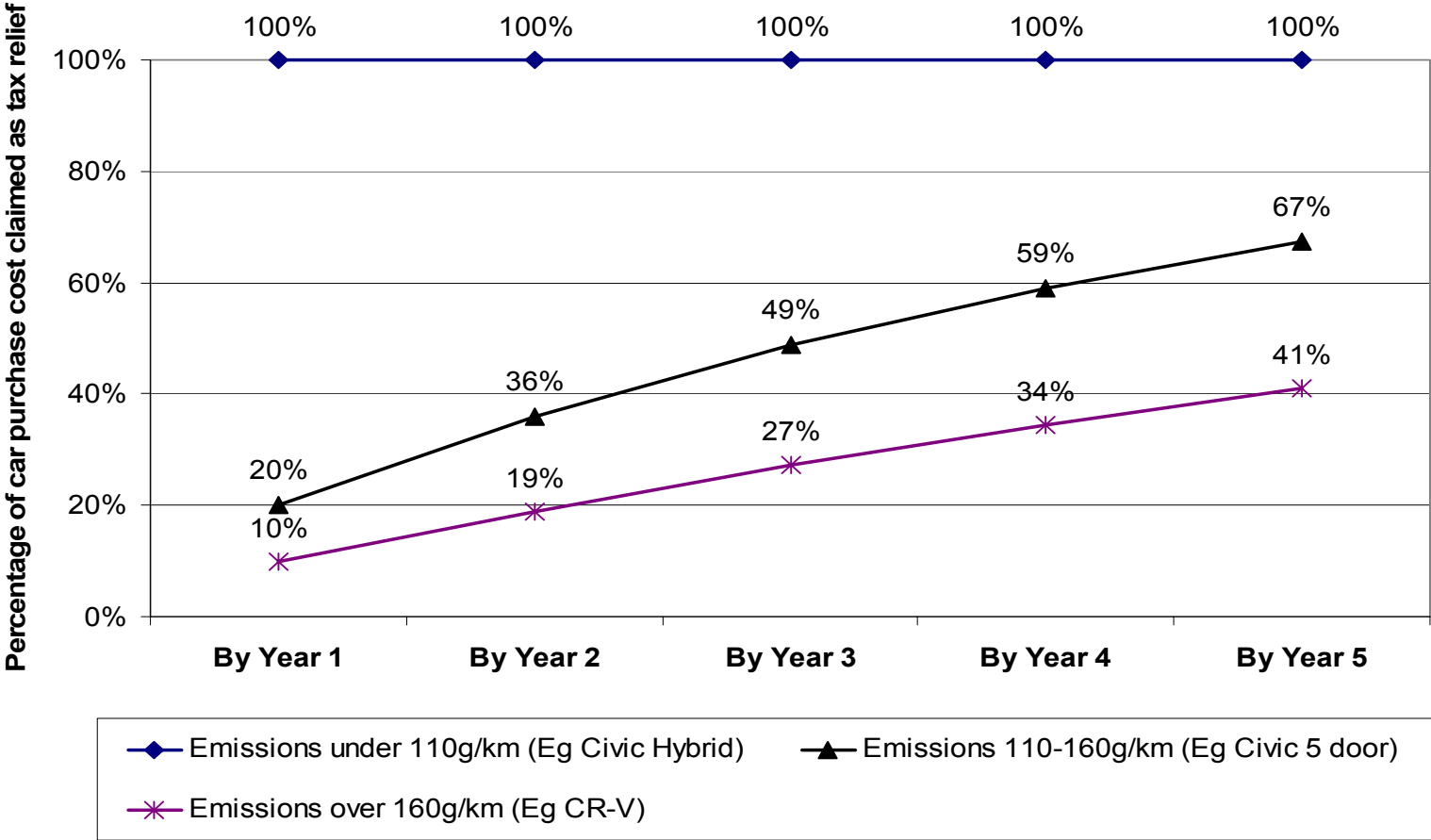
Honda Accord Saloon 2.2 ES GT with SatNav.  
Retail price when new = £22,465. CO<sub>2</sub> emissions = 150g/km



# Changes to corporate tax relief on company cars

## Owned cars

### Cumulative tax relief under new rules over 5 years



## Owned cars

- Annual tax relief now based on the car's CO<sub>2</sub> emissions, not its retail price
- More carbon efficient cars will get tax relief more quickly
- However there is no balancing allowance on disposal



## Owned cars

### Changes on tax treatment of disposal of car

#### Under Old Rules

- Balancing allowance given in the year of disposal of the car, unless:
  - the car's CO2 emissions are no greater than 110g/km, or
  - the purchase price of the car is no greater than £12,000
- Balancing allowance ensures full tax relief for depreciation over the ownership period of the car

#### Under New Rules

- No balancing allowance given in year of disposal of the car
- Tax relief therefore deferred long into the future under the new rules, even after the car is disposed of
- Note there is no change where:
  - the car's CO2 emissions are no greater than 110g/km, or
  - the purchase price of the car is no greater than £12,000

## Changes to corporate tax relief on company cars

### Owned cars

### Worked example: Assuming disposal of car in year 3 (for £9,000)

Honda Accord Saloon 2.2 ES GT with SatNav

Retail price when new ("P") = £22,465. CO<sub>2</sub> emissions = 150g/km

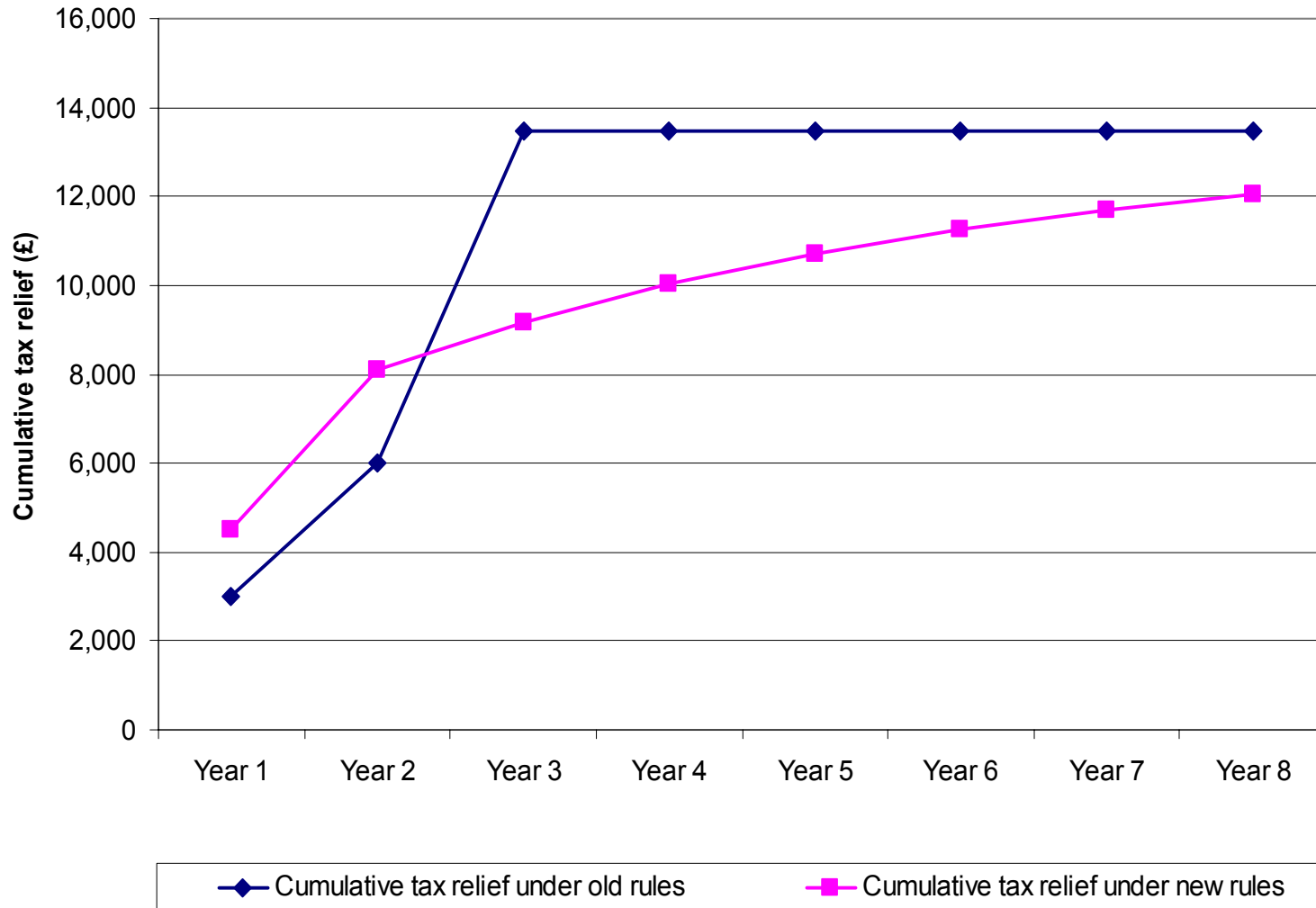
	Relief under old rules (20% WDA, capped to £3,000 p.a.)		Relief under new rules (20% WDA, no capping)	
Year 1	TWDV b/f =	22,465	TWDV b/f =	22,465
	WDA Yr 1 =	(3,000) = £3,000 tax deduction	WDA Yr 1 =	(4,493) = £4,493 tax deduction
Year 2	TWDV b/f =	19,465	TWDV b/f =	17,972
	WDA Yr 2 =	(3,000) = £3,000 tax deduction	WDA Yr 2 =	(3,594) = £3,594 tax deduction
Year 3	TWDV b/f =	16,465	TWDV b/f =	14,378
	Proceeds received =	(9,000)	Proceeds received =	(9,000)
		7,465		5,378
	Balancing All. Yr 3 =	<u>(7,465)</u> = £7,465 tax deduction	WDA Yr 3 =	<u>(1,076)</u> = £1,076 tax deduction
Year 4	TWDV b/f =	Nil	TWDV b/f =	4,302
	WDA Yr 4 =	Nil = £Nil tax deduction	WDA Yr 4 =	(860) = £860 tax deduction
After 4 years	TWDV c/f =	Nil	TWDV c/f =	3,442
		£13,465 total tax deductions taken		£10,023 total tax deductions taken



# Changes to corporate tax relief on company cars

## Owned cars

### Impact of the abolition of balancing adjustments under new rules



## Leased cars

### Existing Rules

#### Car purchase up to £12,000

- Tax relief for 100% of the annual rental cost

#### Car purchase over £12,000

- Tax relief for a proportion of the annual rental cost
- Lower proportion of relief for more expensive cars
- Restriction only on rental element; any maintenance element is unrestricted.

## Leased cars

### New Rules

#### CO<sub>2</sub> emissions up to 110g/km

- Tax relief for 100% of the annual rental cost

#### CO<sub>2</sub> emissions between 110g/km and 160g/km

- Tax relief for 100% of the annual rental cost

#### CO<sub>2</sub> emissions over 160g/km

- Tax relief for 85% of the annual rental cost

## Changes to corporate tax relief on company cars

### Leased cars

### Worked examples

E.g. Honda Accord Saloon 2.2 ES GT with SatNav

Retail price when new ("P") = £22,465. CO<sub>2</sub> emissions = 150g/km

### Relief under old rules

$$\text{Allowable proportion} = \frac{\text{£12,000} + P}{2P}$$

- In our example, where P = £22,465, the allowable proportion of rental payments is 77%
- **Where P = £17,140, the allowable proportion is 85%**

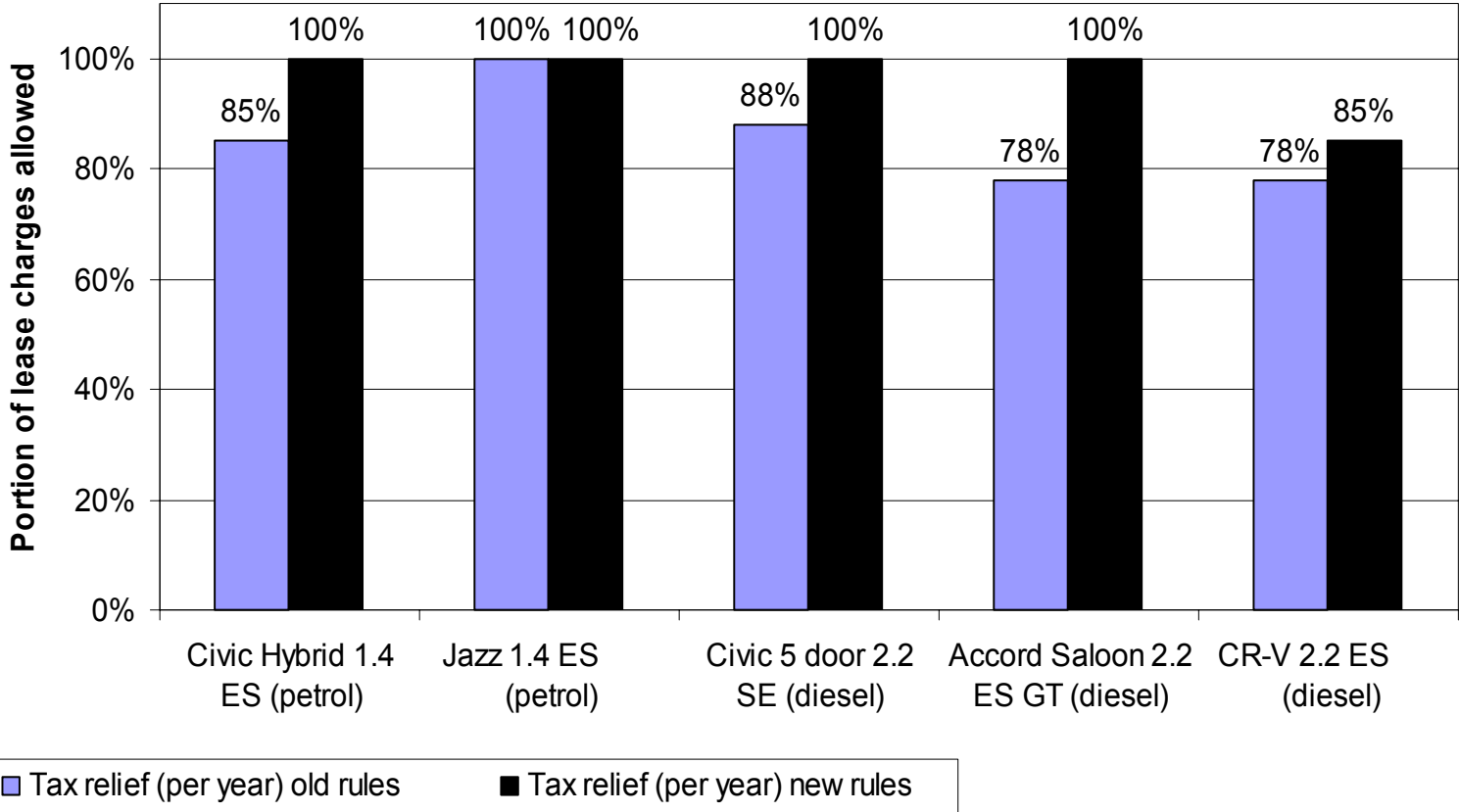
### Relief under new rules

- Based on CO<sub>2</sub> emissions of 150g/km: Relief for 100% of lease payment

# Changes to corporate tax relief on company cars

## Leased cars

### Impact on popular Honda models



# Changes to corporate tax relief on company cars

## Leased cars

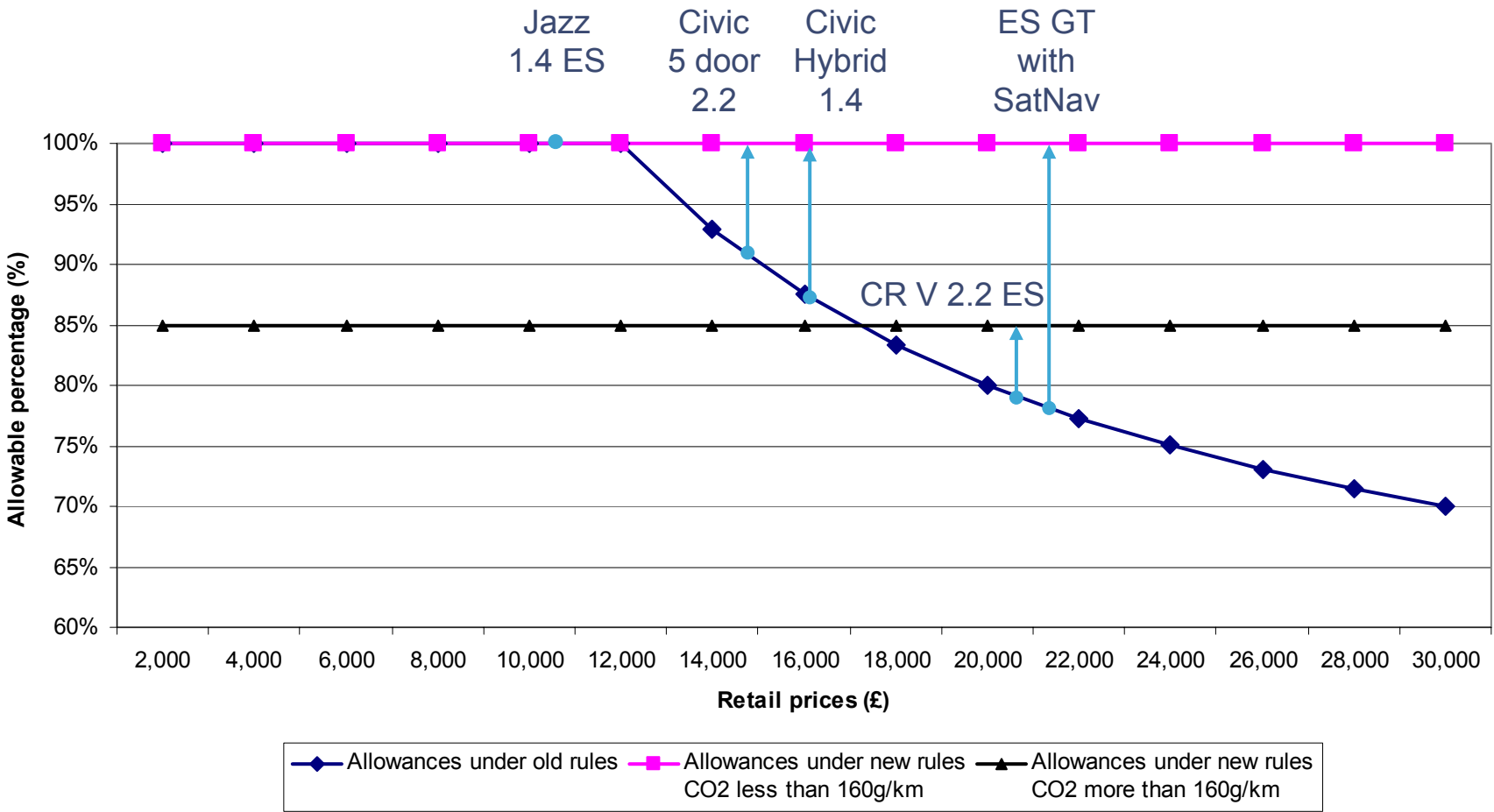
### Winners and losers from the changes

CO <sub>2</sub> emissions	Lease car retail price		
	Up to £12,000	Between £12,000 and £17,140	Over £17,140
Up to 160g/km	Now 100% relief <b>No change</b>	Now 100% relief <b>Better off</b>	Now 100% relief <b>Better off</b>
Over 160g/km	Now 85% relief <b>Worse off</b>	Now 85% relief <b>Worse off</b>	Now 85% relief <b>Better off</b>



# Changes to corporate tax relief on company cars

## Leased cars



## Summary: Implications for your car fleet policy

- Changes generally favour low CO<sub>2</sub> emission fleets, especially below 160g/km
- Continued significant tax benefit for owned cars with CO<sub>2</sub> emissions of up to 110g/km
- For owned cars, impact of changes will depend on ownership profile. In general, cars owned for a longer period will be better off than previously. For cars sold after a few years, the accelerated relief from balancing allowances is no longer available
- For leased cars with a retail price greater than £17,140, tax relief now better regardless of CO<sub>2</sub> emissions
- The post-tax cost of car fleets will be affected

# The New 2009 Honda Insight



# Summary

## Practical

- Space and versatility of C sector 5 door hatchback
- Same boot capacity as new Golf

## Meets driver requirements

- Lowest BIK tax band = As little as £26 tax a month
- High level of standard specification
- Involving drive

## Affordable price

- Priced to compete with mass models (eg Focus 1.6 / Golf 1.4 / Astra ecoFlex)
- £2,380 lower than entry level Prius

## Exceptionally low whole life costs

- Very strong RV's (43%+) = On par with Golf / 5% higher than Prius
- 64.2 mpg without diesel fuel premium
- One of lowest SMR's on UK roads
- Low Class 1A NI contributions / lowest driver tax band
- Exemption from London Congestion Charge (up to £6k saving for commuter over 3 years)

## Green

- Emission of 101g/km & economy of 64.2mpg
- Lower NOX / particulates vs equivalent CO2 diesel



Find out more at [www.hepworthhonda.co.uk](http://www.hepworthhonda.co.uk)

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