

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 vehicles.

We set out below the main areas of importance. Please do not hesitate to contact **abacus** 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 (CO₂) emissions.

Percentage charges

The percentage charge for the majority of cars is between 5% and 35%. The emissions table for 2014/15 is set out below.

CO ₂ emissions (grams per kilometre)	% of car's price taxed	
	Petrol	Diesel
up to 75	5%	8%
76 to 94	11%	14%
95	12%	15%
100	13%	16%
105	14%	17%
110	15%	18%
115	16%	19%
120	17%	20%
125	18%	21%
130	19%	22%
135	20%	23%
140	21%	24%
145	22%	25%
150	23%	26%
155	24%	27%
160	25%	28%
165	26%	29%
170	27%	30%
175	28%	31%
180	29%	32%
185	30%	33%
190	31%	34%

195	32%	35%
200	33%	35%
205	34%	35%
210 and above	35%	35%

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.vcacarfueldata.org.uk. These figures are not however necessarily the definitive figures for a particular car. For all cars first registered from 1 March 2001 onwards, the definitive CO₂ emissions figure 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 13.8% for 2014/15).

The exceptions

Imports

Some cars registered after 1 January 1998 may have no approved CO₂ emissions figure, perhaps if they were imported from outside the EC. They too are taxed according to engine size.

Engine size (cc)	% of list price charged to tax
0 – 1400	15%
1401 – 2000	25%
over 2000	35%

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 £21,700 for 2014/15. 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 petrol is not provided for part of the year.

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 reimbursed for fuel for business travel.

HMRC have published guidelines on fuel only mileage rates for employer provided cars. The advisory rates are not binding and an employer may be able to agree higher rates with HMRC, perhaps where employees need to use particular types of car such as 4x4s to cover rough terrain. Employers can adopt the rates in the following table but may pay lower rates if they choose.

From 1 March 2014:

Petrol	Up to 1,400cc	1,401-2,000cc	Over 2,000cc
	14p	16p	24p
Diesel	1,600cc or less	1,601-2,000cc	Over 2,000cc
	12p	14p	17p
LPG	Up to 1,400cc	1,401-2,000cc	Over 2,000cc
	9p	11p	17p

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 abacus can help

abacus can provide advice on such matters as:

- whether a company 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 company car.

Please contact your local **abacus** accountant for more detailed advice.

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