

GUIDE TO COMPANY CAR TAX 2008/2009

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge

- ▶ Exit



Budget 2008: key points

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

The announcement of a major reform of vehicle excise duty in April 2009, the introduction of a new 10% Banding for benefit-in-kind tax (13% for diesels), plus a rise to £16,900 in the Government set charge for fuel benefit charge calculation are some of the key points in Budget 2008

- ▶ Introduction of new 10% Band (13% for diesels) for company cars emitting less than 120g/km of CO₂.

- ▶ Existing CO₂ emissions-based company car tax rules unchanged for 2008/9. Lower threshold reduces to 130g/km in 2010/11.

- ▶ Announcement of major reform to graduated vehicle excise duty system from April 2009.

- ▶ Vehicle excise duty for petrol and diesel cars in Band G rises to £400 in 2008/9.

- ▶ VED rates rise by £5 for cars in Bands C-F in 2008/9.

- ▶ VED rate rise of £5 for all LCVs in 2008/9.

- ▶ Writing down allowances for all cars to be reformed in April 2009 based on CO₂ emissions.

- ▶ Government set charge for fuel benefit tax calculations rises from £14,400 to £16,900.

- ▶ Fuel duty rise of 2p/litre from October 1.



Vehicle excise duty (VED)

- ▶ Home
- ▶ Budget 2008
- ▶ **Vehicle excise duty**
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

For 2008/9, the vehicle excise duty system retains the existing seven-tier structure, with a rise of £5 for vehicles in Bands C-F, with Band G vehicles rising to £400 a year.

For cars in Band B, rates for petrol and diesel are frozen at £35, with rates for vehicles using 'alternative' fuels also frozen at £15.

For cars registered before March 2001 (pre-graduated VED), 2008/9 rates rise by £5, with the new rates set at £120 (1,549cc and below) and £185 (above 1,549cc).

2009 vehicle excise duty reform

The Pre Budget Report on November 24, 2008, announced that, in April 2009, the VED system will be reformed to incentivise lower emitting cars. The key points are:

- ▶ From April 2009, a new graduated VED system applies, with a new top band – Band M – for cars emitting over 255g/km of CO₂.
- ▶ In 2010/11, a new first year rate for all cars will be applied according to the scale shown below.

- ▶ From 2010/11, the zero VED rate will extend to all new cars emitting 130g/km of CO₂ or less in the first year of ownership.
- ▶ The introduction of a first-year rate of £950 for cars in Band M in 2010/11.

VED bands, including 2009 reforms

VED Band	CO ₂ emissions (g/km)	2008/9 standard rate (£) (petrol/diesel cars)	2008/9 standard rate (£) (alternative fuels)	CO ₂ emissions (g/km)	2009/10 ² standard rate (£)	2010/11 First year rate (£)	2010/11 Standard rate (£)
A	Up to 100	0	0	Up to 100	0	0	0
B	101-120	35	15	101-110	35	0	20
C	121-150	120	100	111-120	35	0	30
D	151-165	145	125	121-130	120	0	90
E	166-185	170	150	131-140	120	110	110
F	Over 185 ¹	210	195	141-150	125	125	125
G	Over 225	400	385	151-165	150	155	155
H				166-175	175	250	180
I				176-185	175	300	200
J				186-200	215	425	235
K ¹				201-225	215	550	245
L				226-255	405	750	425
M				Over 255	405	950	435

¹: Includes cars emitting over 225g/km registered between March 1, 2001 and March 23, 2006.
²: Alternative fuel discount 2009/10: £20 Bands A-I, £15 Bands J-M. 2010/11 £10 for all cars



Company car tax in 2008/9

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

The threshold for the minimum percentage charge rate for calculating company car tax reduces to 135g/km for 2008/9, with this rate frozen until 2009/10. In 2010/11, the lower threshold reduces to 130g/km.

A new 10% tax band for company cars with CO₂ emissions of 120g/km or less is applicable from April, 2008. For diesels, this is fixed at 13% owing to the 3% surcharge.

The chart (right) shows taxable percentages of P11D price applicable for 2008/9 and beyond (including the 10% rate).

Calculating BIK tax in 2008/9

The method of calculating your company car tax liability in 2008/9 depends on your car's P11D price and CO₂ emissions, and whether or not it is a diesel.

CO₂ emissions figures can be obtained from www.audi.co.uk or the Vehicle Certification Agency at www.vcacarfueldata.org.uk/search.

All diesel cars registered on or after January 1, 2006, are liable to a 3% charge on account of diesel's higher emissions of 'local' pollutants.

In 2008/9 a new Audi A4 2.0 TDI SE, for example, with a P11D price of £23,425 and CO₂ emissions of 144g/km, will attract a tax charge of 19% of its P11D value. Thus £23,425 x 19% gives a taxable value of £4,451, equating to a yearly tax bill of £890 (£74 per month) for a 20% tax payer or £1,780 (£148 per month) for a 40% tax payer.

Taxable percentages of P11D value

% of P11D price to be taxed	CO ₂ (g/km) 2008/9	CO ₂ (g/km) 2009/10	CO ₂ (g/km) 2010/11
10*	120	120	120
15*	135	135	130
16*	140	140	135
17*	145	145	140
18*	150	150	145
19*	155	155	150
20*	160	160	155
21*	165	165	160
22*	170	170	165
23*	175	175	170
24*	180	180	175
25*	185	185	180
26*	190	190	185
27*	195	195	190
28*	200	200	195
29*	205	205	200
30*	210	210	205
31*	215	215	210
32*	220	220	215
33**	225	225	220
34***	230	230	225
35****	235	235	230

Add 3% for diesel. ** Add 2% for diesel. *** Add 1% for diesel. **** Max charge, so no supplement



Capital allowances

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ **Capital allowances**
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

Capital Allowances to be based on emissions of CO₂ from April 2009

With effect from April 2009 the capital allowance treatment of all cars will be reformed to favour those with low CO₂ emissions.

Expenditure on cars with CO₂ emissions above 160g/km will attract 10% Writing Down Allowance (WDA) while expenditure on cars with CO₂ emissions of 160g/km or below will attract 20% WDA.

The rules which disallow a proportion of car lease rental payments will be reformed in line with the new capital allowances rules. The new disallowance will be 15% of the relevant payments, applied to cars dealt with in the 10% special rate pool.

In addition to this, the 100% first year allowance (FYA) for the cleanest cars will be extended from March 31, 2008, to March 31, 2013, and the qualifying CO₂ emissions threshold will be reduced to 110g/km.



Class 1A National Insurance Contributions 2008/9

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ **Class 1A NIC**
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

Calculation of employers' Class 1A National Insurance Contributions

For 2008/9 the percentage for the calculation of employers' Class 1A National Insurance Contributions (NICs) on company cars remains as for 2007/8 at 12.8% of taxable value.

To calculate the 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. This is then multiplied by 12.8% to give the annual tax due.



Fuel allowances

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

Employer-provided 'free' fuel for private mileage: benefit or liability?

For 2008/9, the Government set figure for calculating the tax due on employer-provided 'free' fuel for private use in a company car rises to £16,900. To calculate the tax, 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 set figure

Example: Audi A4 2.0 TDI SE with combined fuel consumption of 51.4mpg and CO₂ emissions of 144g/km.

▶ The tax percentage for this model is 19%, so the fuel scale charge for 2008/9 is £16,900 x 19% = £3,211, equating to £642 tax liability for a 20% tax payer (or £1,284 for a 40% tax payer).

▶ £642 will pay for 127 gallons of diesel for a 20% tax payer (or 254 gallons for a 40% tax payer), assuming the national average price for diesel of £5.04/gallon or 110.8p/litre.

▶ Break-even mileage is 127 x 51.4 = 6,528 private miles for a 20% tax payer (or 13,056 private miles for a 40% tax payer).

Business mileage in a private car: reimbursement rates in 2008/9

The 2008/9 Tax and National Insurance-exempted amounts claimable under the HM Revenue & Customs Authorised Mileage Allowance Payments (AMAPs) for business mileage in a private car remain the same as for 2007/8 (see below).

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.

The incentive to drive fewer miles will be strengthened by increasing the fuel benefit charge at least in line with the Retail Prices Index from April 2009.

Authorised Mileage Allowance Payments (AMAP) rates 2008/9

	Up to 10,000 miles	Over 10,000 miles
All cars	40p	25p



Biofuels

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

To encourage the development of the cleanest, most sustainable biofuels, Budget 2008 announced that the duty differentials for biofuels will cease in 2010, with support switching to the Renewable Transport Fuel Obligation (RTFO), which is launched in April 2008.

The RTFO has the target of reaching a 5.75% biofuel content for all road transport fuels by 2010.

Congestion charge

- ▶ Home
- ▶ Budget 2008
- ▶ Vehicle excise duty
- ▶ Company car tax
- ▶ Capital allowances
- ▶ Class 1A NIC
- ▶ Fuel allowances
- ▶ Biofuels
- ▶ Congestion charge
- ▶ Exit

Proposals to introduce higher congestion charging rates based on CO₂ emissions, with a 100% discount for vehicles emitting less than 120g/km, have been abolished by the Mayor of London.

As a result, the standard daily charge is set at £8 per day or part of a day, although vehicles qualify for a 100% discount when pre-registered with Transport for London.

Exempted vehicles include alternative fuel vehicles, electrically propelled vehicles, vehicles with nine or more seats, motor tricycles and roadside recovery vehicles.

For details, visit the Transport for London website at www.tfl.gov.uk/roadusers/congestioncharging/

