

Driver guide

What's Best for Me?

essential driver support 



GE imagination at work

Welcome

When it comes to choosing your car, choosing what's best for you, can often be complex and based on numerous factors including lifestyle, vehicle price and ongoing running costs. If you are eligible for a company car or, as is the case in many organisations, a cash allowance in lieu of a company car then choosing what's best for you means more decisions; decisions which are influenced amongst others, by the type of policy your company operates, the vehicles available to you and what the benefit in kind taxation implications are.

What's Best For Me? provides a practical guide to help you make an informed decision when choosing your car. It addresses the impact of the 2008 Government Budget, illustrates the factors to consider when making a choice and, where relevant, provides advice on choosing between a Company Car or Cash Option.

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The 2008 Budget and the Implications on the Business Driver

There is no doubt that the UK Government is continuing to promote a green agenda when it comes to transport. Recent Government plans aim to reduce CO₂ emissions in the UK by 25% by 2012; this is a colossal undertaking and one that is not being taken lightly by our Government.

Tax changes, fuel duty and congestion charging are a few measures recently introduced by the Government in the hope that our collective carbon footprint will be reduced. CO₂ reduction and environmental concerns are here to stay and as a result, the costs of running a car, especially an environmentally unfriendly car, will continuously rise.

Company Tax – Car Benefit-in-Kind

Company car drivers of both perk and job need cars pay tax on a percentage of the taxable value of their cars, commonly known as the P11D value. This percentage is based on the car's P11D price (see glossary for full definition of P11D value), the CO₂ emissions and whether the car is petrol or diesel. The minimum threshold for calculating this figure is 135g/km reducing to 130g/km in 2010/11 tax year. So the lowest emission cars emitting less than 140g/km or less of CO₂ qualify for the lowest tax band, which is 15%. This then rises by 1% for every 5g/km to the highest polluters at 235g/km and above with the maximum taxable charge being 35% of the cars value. Note that CO₂ emissions are always rounded down so 167g/km becomes 165g/km and 3% must be added if the car runs on diesel.

From April 2008, a new lower company car tax band of 10% (13% for diesel vehicles) was introduced for vehicles emitting 120g/km or less of CO₂. The Audi A3 Sportback 5 door is such an example.

**So the message here
is pretty simple, the
more economical
your car, the less
you'll pay in tax.**



Car Benefit

in Kind Calculation

The table below shows taxable percentages applicable for 2008/09 and beyond

2008/09 g/km	% List Price for Tax	2009/10 g/km	% List Price for Tax	2010/11 g/km	% List Price for Tax
Up to 120	10%	Up to 120	10%	Up to 120	10%
121	15%	121	15%	121	15%
130	15%	130	15%	130	15%
135	15%	135	15%	135	16%
140	16%	140	16%	140	17%
145	17%	145	17%	145	18%
150	18%	150	18%	150	19%
155	19%	155	19%	155	20%
160	20%	160	20%	160	21%
165	21%	165	21%	165	22%
170	22%	170	22%	170	23%
175	23%	175	23%	175	24%
180	24%	180	24%	180	25%
185	25%	185	25%	185	26%
190	26%	190	26%	190	27%
195	27%	195	27%	195	28%
200	28%	200	28%	200	29%
205	29%	205	29%	205	30%
210	30%	210	30%	210	31%
215	31%	215	31%	215	32%
220	32%	220	32%	220	33%
225	33%	225	33%	225	34%
230	34%	230	34%	230+	35%
235+	35%	235+	35%		

N.B. CO₂ values falling between bands should be rounded down to the nearest 5g/km, and Diesel supplements apply.



Calculating your Benefit-in-Kind liability

Some factors to consider when working out how much your choice may cost you are:-

- P11D price of your vehicle
- CO₂ Emissions of your vehicle
- Fuel Type of your vehicle
- Your Tax band

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

It is worth noting that some extras such as automatic transmission, alloy wheels, wider tyres etc. can have an impact on the CO₂ emissions figure for the standard vehicle.

How to calculate Benefit-in-Kind liability

P11d Value x % Tax Charge x employee tax rate

Example for 2008/09

BMW 118d 3dr Hatch, P11d £18,260, CO₂ emissions 119 g/km, BIK Tax 13% April '08, 40% taxpayer

£18,260 x 13% = £2373 (this is the figure that will be shown on your PAYE Coding Notice)

Tax is paid on this amount at the rate of 40% so **£2373 x 40% = £949.52** annual tax payable or **£79** per month

Examples:

Variant	Co2	2008/09				2009/10			2010/11		
		List Price for Tax	BIK Amount	Tax @ 20%	Tax @ 40%	BIK Amount	Tax @ 20%	Tax @ 40%	BIK Amount	Tax @ 20%	Tax @ 40%
AUDI A3 DIESEL SPORTBACK 1.9 TDi 5dr	119	£17,074.99	£2,219.75	£37.00	£73.99	£2,219.75	£37.00	£73.99	£2,219.75	£37.00	£73.99
BMW 3 SERIES DIESEL SALOON 320d ES [177] 4dr	128	£24,845.00	£4,472.10	£74.54	£149.07	£4,472.10	£74.54	£149.07	£4,472.10	£74.54	£149.07
FORD FOCUS DIESEL HATCHBACK 2.0 TDCI Titanium 5dr [DPF]	144	£18,430.00	£3,501.70	£58.36	£116.72	£3,501.70	£58.36	£116.72	£3,686.00	£61.43	£122.87
FORD MONDEO DIESEL SALOON 2.0 TDCI Ghia 4dr	156	£19,955.00	£4,390.10	£73.17	£146.34	£4,390.10	£73.17	£146.34	£4,589.65	£76.49	£152.99
MERCEDES-BENZ C CLASS DIESEL SALOON C200 CDI Sport 4dr	160	£27,205.01	£6,257.15	£104.29	£208.57	£6,257.15	£104.29	£208.57	£6,529.20	£108.82	£217.64
VOLKSWAGEN PASSAT DIESEL SALOON 2.0 SEL TDI 170 4dr	160	£21,990.00	£5,057.70	£84.30	£168.59	£5,057.70	£84.30	£168.59	£5,277.60	£87.96	£175.92
VOLKSWAGEN GOLF DIESEL HATCHBACK 2.0 GT Sport L TDI 3dr	145	£18,409.99	£3,682.00	£61.37	£122.73	£3,682.00	£61.37	£122.73	£3,866.10	£64.43	£128.87

Vehicle Excise Duty

2008/09

For 2008/09, the Vehicle Excise Duty system retains the existing seven-tier structure based on the Vehicle CO₂ emission, with a rise of £5 for vehicles in bands C-F with effect from 13th March 2008.

VED Band	2008/09 (effective from 13th March 2008)				2009/10		2010/11	
	CO ₂ Emissions	Alternative Fuels*	Petrol	Diesel	CO ₂ Emissions	2009/10 standard Rate (£)	2010/11 First Year Rate (£)	2010/11 Standard Rate (£)
A	<100	£0	£0	£0	<100	0	0	0
B	101-120	£15	£35	£35	101-110	20	0	20
C	121-150	£100	£120	£120	111-120	30	0	35
D	151-165	£125	£145	£145	121-130	90	0	95
E	166-185	£150	£170	£170	131-140	110	115	115
F	186-225	£195	£210	£210	141-150	120	125	125
G	226+	£385	£400	£400	151-160	150	155	155
H					161-170	175	250	180
I					171-180	205	300	210
J					181-200	260	425	270
K					201-225	300	550	310
L					226-255	415	750	430
M					Over 255	440	950	455

* The Alternative Fuel tax class includes vehicles constructed to use Bioethanol, or a mixture of Bioethanol and unleaded Petrol, if the proportion of Bioethanol by volume is at least 85%.

2009 Vehicle Excise

Duty Reform

The budget announced that, in April 2009, the VED system will be reformed to incentivise lower emitting cars by introducing six new bands. From April 1, 2010 a new first year rate will be introduced, which national newspapers have dubbed a 'showroom tax'.

- From April 2009, a new graduated VED scheme applies with a new top band, Band M, for cars emitting over 255 g/km of CO₂. However, VED rates on new and existing vehicles below 150 g/km will decrease to a maximum of £120.

For Example

BMW X5 4.8i SE 5dr

2008/09 VED Band G	=	£400
2009/10 VED Band M	=	£440
2010/11 VED Band M 1st Year	=	£950

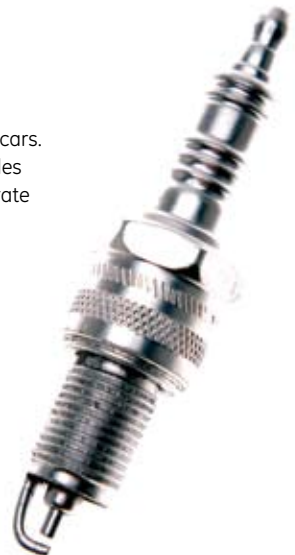
- In 2010/11 the zero VED rate will extend to all new cars emitting 130 g/km of CO₂ or less in the first year of ownership

For Example

Audi A3 1.9 Tdi Hatch – CO₂ 119 g/km

2008/09 VED Band B	=	£35
2009/10 VED Band C	=	£30
2010/11 VED Band C 1st Year	=	£0

- From April 1 2010 a special 'first year rate' will be introduced on all new cars. Vehicles of 130 g/km and below will be exempt from the rate with vehicles falling into VED Band E paying £115. The rates then increase to the top rate Band M where the rate will be £950.



Business Mileage in a Private Car

The 2008/09 Tax and National Insurance-exempted amounts claimable under the HM Revenue & Customs Authorised Mileage Allowance Payments (AMAPs) for business mileage in a private car is :-

AMAP Rates 2008/09 – all cars

Up to 10,000 miles = 40p

Over 10,000 miles = 25p

If your employer reimburses you at a lower rate than 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.

Private Fuel Benefit

Does your employer pay for the private fuel on your company car? Did you know you have to pay a separate tax on this free fuel benefit? Is it really the benefit that you might think it is? In many cases, once the calculations have been made, the answer is NO.

For 2008/09, 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 (increase of 17% from £14,400). To calculate the tax, you need to know:-

- The car's combined fuel consumption (mpg) and BIK tax percentage
- The price of fuel used
- Your marginal tax rate and government set figure

If your company offers fuel benefits, it is sensible to work out how many miles you need to drive to make it worthwhile by multiplying the fuel tax you would pay by the miles per gallon of your vehicle and then dividing this by the average price of petrol per gallon.

Unless you clock up a lot of private miles, you could be better off paying for your own fuel rather than taking the 'free' fuel benefit and paying the tax.



How to calculate the tax on Private Fuel Benefit

Private fuel benefit is calculated in a similar manner to company car tax. A scale charge set by the Government (currently £16,900) is multiplied by the same percentage for CO₂ emissions as used to calculate the company car taxable benefit. The tax payable is therefore:

$$\text{£16,900} \times \text{CO}_2 \text{ emissions percentage} \times \text{employee tax rate}$$

Example for 2008/09

Ford Mondeo 2.0 TDCi Zetec, CO₂ emissions 161 g/km, 40% taxpayer

£16,900 x 23% (per CO₂ table) = 3,887 (again, this is the taxable benefit figure that will show on your coding notice)

x 40% = £1,554.80 annual tax payable

= £129.57 per month tax payable

Calculating your 'break-even' mileage

Make	Jaguar		
Model	X Type 2.0		
List Price	£23,000.00		
CO ₂ *	154		
BIK Factor	21%		
Tax Rate	40%	Annual tax payable by employee in receipt of free fuel	£1,419.60
Fuel	Diesel	Monthly tax payable by employee in receipt of free fuel	£118.30
Fuel Cost	1.158		
MPG	42.0	Annual number of private miles to be driven to break even	11,316

Example

- Based on your car's P11D price and CO₂ emission, your tax percentage is 21% and fuel consumption is 42.0mpg.
- Fuel Scale charge for 2008/09 is £16,900 x 21% = £3,549, equating annual tax payable of £1,419.60 for a 40% tax payer or £118.30 per month.
- £1,419.60 / average price for diesel at 115.8 p/litre will pay for 1226 litres or 269.4 gallons of diesel.
- Break-even mileage is therefore 269.4 x 42.0 (miles per gallon) = 11,316 miles for a 40% tax payer.

Beyond Taxation...

Making the Choice and What to Consider

Beyond understanding **What's best for you** from a taxation perspective, it is essential that you choose the right car and fuel type for you and your needs.

You should look at a number of factors such as mileage, type of miles driven, MPG (miles per gallon) and overall costs and assess what would be both most practical and economical for you. This is often a hard choice and you may not realise what options are open to you.

Vehicle Choice

What do I want versus what do I need?

What do you actually need a car for? Work? Family trips? Transporting goods?

What types of mileage do I drive?

Do you use a car mainly on motorways or in urban or rural areas?

Think if what you want is actually what you need. For example, do you really need a six-seater car for a family of four? Do you really need a high emitting gas-guzzler for a journey of 20 miles a day? In general terms, smaller cars tend to be more fuel efficient and emit less CO₂, so be realistic and try to strike a balance between what you want and what you need.

Once you have decided on the type of car you would like, you should check out all the different makes, models and engine options. Vehicle manufacturers should be able to provide you with information around the vehicle ranges and their efficiency and environmental rating.



Fuel choice

Petrol versus Diesel? What about alternative fuels?

Did you know that by 2020, Europe will import 90% of its oil? And that proven oil reserves will only last around 40 years? This is why now more than ever it is so important for us to find alternative, sustainable fuels.

Today there is no single fuel choice on the market in the bid to cut emissions and increase MPG. This therefore means that you must assess your personal needs and choose a fuel that is best for you and also the environment.

As a very general rule of thumb, if most of the driving you do is long distance or motorway driving then you should perhaps consider a diesel engine as these are more economical over long distances. However, if you tend to drive in urban areas and on shorter distances, then a petrol engine may be better suited to your needs.

Diesel Particulate Filter (DPF)

Diesel Particulate Filters are becoming more commonplace on car diesel engines. The purpose of these is to reduce the exhaust emissions as required by European legislation.

Regeneration is required in order to clear out the accumulation of soot in the DPF. Regeneration occurs when the DPF has reached a temperature sufficient to allow the soot to be turned into a much smaller amount of ash. If the car is not driven in a manner that allows regeneration within the DPF there will be a build up of soot which if not addressed will reduce the performance of the vehicle and may in some cases result in significant damage to the engine.

A car fitted with a DPF is usually suitable for drivers whose routine driving will allow them regular opportunity to drive at 50MPH or more for 20

minutes or so. The best way to ensure the correct car is selected is for you to check with the dealer or manufacturer before you order the vehicle to make sure that they can meet the manufacturer's requirements in regard to the DPF.

Alternative Fuels

Hybrids

By many, hybrids are being hailed as the answer to future environmental problems and companies are keen to get involved as they are good at reducing CO₂ emissions in stop-start driving conditions, however they lose all their advantages when driven away from the city. There are currently a limited number of these vehicles available.

These vehicles use two or more distinct sources to power the vehicle. Examples include petrol-electric or diesel-electric. Features included on these vehicles are:

- the ability to recapture energy normally wasted during braking.
- a significant level of battery storage space and the ability to recapture and reuse energy.
- the ability to shut down the gasoline or diesel engine during traffic stops and while idling.

These features mean hybrid powered cars are particularly efficient for inner city driving, where frequent stops and idling are the norm. Hybrids also help to reduce noise emissions.

Bio fuels

Biofuels are traditional fossil fuels blended with a percentage of fuel from renewable sources. An example of this is bio-diesel, which is made from fossil fuel diesel blended with fuel from some crops – this is typically about 5% by volume. The benefits of using crop-based fuels are that first and foremost, they're renewable; alongside this they also produce far fewer harmful emissions.

Choosing between Cash or Car option

Should I go for Cash?

If your organisation offers a cash alternative to the company car, the decision of what's best for you becomes even more complex. Not only does vehicle choice factor, but you also need to ask yourself what financial option is best for you? To help you make a more informed decision, this section presents factors such as lifestyle, environmental, safety as well as financial considerations.

By going down the cash route you have no taxable BIK and hence save yourself the taxation every month. Your salary cheque will be larger due to less tax payable but you do not have a car.

Factors to consider when choosing between cash and car...

Lifestyle	Step 1: Consider what your specific needs are and list your priorities.	Consider both business and private usage. Ask yourself... Do I need a family car? Do I have a requirement to tow a caravan? Ask yourself... Do I want to have a new car? If not, how old do I want my car to be and would it be fit for purpose? Ask yourself... Do I even need a car? You may be able to commute to work by train or even walk.
Mileage	Step 2: Work out how many miles split between business and private use that you travel each year.	Mileage is a major cost contributor towards the running of your vehicle not only in terms of fuel costs but also with regard to ongoing vehicle maintenance. It is important to have an accurate assessment of your business and private mileage split as this has a major impact on the mileage reimbursement you receive which of course not only covers the costs of fuel but also helps toward the running costs of your car if you take cash option. In general, if you do more mileage you're more likely to find that a company car is a better choice.
Vehicle Choice	Step 3: Conduct some research around the vehicles most suitable for your requirements as well as refer to your company car choice.	Company Car choice is typically restricted by your grade/job function and by the manufacturers available through the company car scheme. As a person eligible for a company car, you may benefit from negotiated discounts your organisation has with the manufacturers which will potentially deliver more value for money for you.

Net Cash Allowance & Benefit-in-Kind Taxation	Step 4: Work out what your likely Net Monthly Cash Allowance and the likely Benefit-in-Kind Taxation for opting for a company car might be over a 2-3 year period.	Typically, when opting for the Company Car, this may include within the benefit:- <ul style="list-style-type: none"> • 365 day support line • Cover for lifetime service, maintenance and repair costs • Vehicle taxation • Fully comprehensive motor insurance cover for business and domestic use, often extended to co-drivers (i.e. spouses)
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Cash option – Evaluate All Costs	How will I fund the initial outlay for a car? For example, deposit, loans, existing cash funds?	It is important to evaluate fully the costs involved in taking out a loan to fund a car under a cash option, including deposits and any interest or finance cost associated with the capital expenditure to acquire the vehicle.
	Vehicle Excise Duty	The annual charge by UK government for allowing the vehicle to be used on public roads.
	Insurance Costs	If you decide to take the Cash Option and will be using your vehicle for business purposes, the appropriate business insurance cover must be in place. It is important to evaluate fully the cost of insurance. All private cars used on business have to be insured for business purposes, and as such these premiums are higher than those for 'social domestic and pleasure usage. There are also other costs relating to accident repairs, damage etc..
	Servicing, Maintenance & Repair	Money spent in garages and other aftermarket services and/or routine services, plus replacement of worn parts and any repairs not covered in full by the manufacturer's warranty. If your car is off the road, you may also have to pay out for a replacement car.
	Depreciation	Essentially the cost difference between what is paid for the vehicle at the start, less what is recovered when sold.

Environment	<p>Did You Know? Carbon emissions of an average private car are 20% higher than an average Company Car.</p> <p>A UK-wide NOP Automobile Survey found 72% of opt-out drivers choose specialist vehicles with larger, more polluting engines compared with 54% of executive car drivers who remain in company schemes.</p>	<p>Whether considering a new or older car, it is important to take into account factors such as CO₂ levels, Miles per Gallon (MPG) and Benefit in Kind. Whilst influencing the tax you pay and your fuel costs, vehicle choice plays a fundamental role in environmental impact. Studies show that cars purchased outside the Company Car Scheme tend to be older, more polluting and not maintained to the same standard as a Company Car.</p> <p>Having a well-maintained vehicle is key to reducing emissions. Regular maintenance and vehicle checks also have a highly positive effect on fuel use.</p>
Safety	<p>Did You Know? There are more work-related road deaths each year than deaths in the workplace.</p> <p>A recent survey of tyre pressure levels of 8,700 cars has shown that 44% of cars had at least one tyre at a low-pressure level.</p> <p>In most cases the company vehicle will be newer. Therefore offering a higher standard of safety for you the driver and your family.</p>	<p>When traveling on business using your private vehicle, it is your responsibility to check your motor insurance to ensure you have the appropriate business cover in place. It is a legal requirement that valid insurance cover is in place for all trips.</p> <p>Having a well-maintained vehicle is key to ensuring you are safe whilst driving. Check your tyre pressure, oil and water regularly. When using your private vehicle, it is your responsibility to ensure that services are not overlooked. Failure to do so will often invalidate the vehicle warranty.</p>

Glossary of terms

AMAP rates (Approved Mileage Allowance Payments)

Employers can reimburse business miles travelled by employees for business purposes up to the maximum rate per mile. Any payments over the rate are classed as a taxable benefit on the employee and if payments made are below the maximum rate per mile, the employee can claim the difference from HMRC.

Benefit in Kind

This covers any benefit, other than cash, provided to employees as part of their employment package. If you are a director or an employee earning more than £8,500 p.a. when you have the benefit of a company car, you become liable to Benefit in Kind (BIK) taxation. The amount you pay depends on the P11D price of the vehicle and its CO₂ emissions.

P11D

The P11D is the list price of the car, the day before it was registered, including VAT, delivery charges and extras (even if they are provided Free of Charge by the manufacturer) but excludes Vehicle Excise Duty (VED) and 1st Registration Fee.

NB. This is not the price you pay for the car.

Vehicle Excise Duty (VED)

- Previously referred to as Road Fund Licence (RFL) this is effectively payment for your tax disc.



Sources

GE Capital Solutions Fleet Services
Vehicle Certification Agency – www.vcacrufueldata.org.uk
Brake – Road Safety Charity
NOP Survey
ACFO

GE giving you the support you need and the service you deserve

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