

A guide publication

Fleet Fundamentals 2008

Fiscal Fundamentals

- > Benefit-in-Kind Taxation
- > Vehicle Excise Duty
- > Advisory Fuel Rates for Company Cars
- > Approved Mileage Allowance Payment (AMAP)
- > Fuel Benefit Charge
- > Capital Allowances for Cars
- > Enhanced Capital Allowance

Legal Fundamentals

- > Legislation
- > Environment



Welcome

Next to your employees and buildings, your fleet cost is likely to represent one of the most costly assets on your balance sheet. Added to this, businesses now operate with the increasing responsibility to consider their duty of care to their employees and also the environmental impacts of their activities.

Now, more than ever, fleet management is high on the Financial, Health and Safety and Corporate Social agenda. Fleet Fundamentals provides a practical guide which covers the latest fiscal and legislative changes which may impact your fleet.



Did you know...?

A quarter of road deaths in Britain involve an at-work driver.

It is estimated that costs to employers arising from 'at-work' road crashes are in the region of £2.7billion a year.

Throughout Europe, transport represents 25% of the total carbon footprint.

Fiscal Fundamentals

There is no doubt that the UK Government has set the beginnings of a cohesive environmental strategy for both fleet cars and private vehicles. Tax changes, fuel duty and congestion charging are a few measures recently introduced by the government with a view to reduce our collective carbon footprint.

The Government's message is simple; the more economical and efficient your fleet, the less you and your drivers will pay in tax.

Car Benefit-in-Kind Taxation

Company car drivers pay tax on a percentage of the taxable value of their cars. This percentage is decided according to the cars P11D price (i.e. the List Price for Tax) and the CO₂ emissions, so the lowest emission cars emitting 135g/km or less qualify for the lowest tax band, which is 15%. This then rises for every 5g/km to the highest polluters at 235g/km and above; these vehicles are charged 35% of the cars value.

From April 2008, a new low company car tax band of 10% was introduced for vehicles emitting less than 121g/km of CO₂.

The European Commission is currently consulting on new Euro V & V1 emissions standards which are due to be enforced by Jan 2011 & Sep 2015 respectively. The Government will consider the case for incentives to promote the early uptake of these new Euro standards through company car tax and other instruments, ahead of the formal requirement to fit them as standard technology. Euro IV emissions standards for vans became mandatory for all vans registered after 31st December 2006.

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

Car Benefit in Kind Calculation

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

% of 2008/09 g/km	List Price for Tax	% of 2009/10 g/km	List Price for Tax	% of 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. There is a 3% supplement applied to all diesel cars which is capped so as to restrict the total percentage to a maximum of 35%

Alternative Fuel Discounts

The current basis for the taxation of cars capable of running on "Alternative" fuel has been simplified. From 6th April 2006 the discounts on "Benefit in Kind" taxation are as below:

- > 2% Discount for Bi-Fuel Gas & Petrol Cars manufactured or converted before type approval
- > 3% Discount for Hybrid Electric & Petrol Cars
- > 6% Discount for Electric Only Cars

These Discounts remain in place however the minimum BIK factor is 10% (13% Diesel); except in the case of Type E cars – All Electric where the BIK factor is set at 9%

HOW TO CALCULATE BENEFIT-IN-KIND LIABILITY

Example for 2008/09

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

$£18,260 \times 13\% \times 40\% = £949.52$ annual tax payable
or £79 per month

Finding the figures: For cars first registered in the UK from March 2001 the approved CO₂ emissions figure is shown on the vehicle registration document (V5). Alternatively the Vehicle Certification Agency will supply a CO₂ enquiry service at www.vcacarfueldata.org.uk.



Q

Will the BIK tightening affect company car choices?

“Since the introduction of a BIK system linked to CO₂ emission in 2002 it has largely achieved what it set out to do. We are seeing the average CO₂ emission across fleets falling and companies are telling us that green issues and the environment are high on their agendas. Manufacturer technology is naturally driving down emissions and will continue to do so but perhaps at a slower pace than we have seen recently. However, fleets are seeing the benefit of implementing internal controls and seeing the cost savings that can be achieved. This can only improve with the introduction of the new 10% BIK band from April as drivers will also benefit directly from choosing a “greener” car.”

Julie Jenner, Key Solutions Manager GE Capital Solutions & ACFO Chairman

Vehicle Excise Duty (VED)

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.

2008/09 (effective from 13th March 2008)					2009/10		2010/11	
VED Band	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 and 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 151 g/km will decrease to a maximum of £120.

For Example:-

BMW X5 4.8i SE 5dr - CO₂ of 286

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



Q

Will the new VED changes have any discernable impact on fleet choices?

"This first year charge of £950 for vehicles with CO₂ emissions of above 255g/km from 2010 will have an impact probably felt greatest within the used car market; and as such this will have a detrimental impact on residual values of such vehicles with a resultant impact on lease charges. However from a fleet perspective the numbers of vehicles at this level of CO₂ emission are relatively small in comparison to the overall fleet."

John Kelly, Key Solutions Leader,
GE Capital Solutions

Advisory Fuel Rates for Company Cars Revised as at 1st June 2008

The rates below are applicable for use by two groups of drivers, those reclaiming business mileage from employers on a pay and reclaim basis and those reimbursing the cost of private fuel to employers.

Engine CC	Petrol	Diesel	LFG
Up to 1400cc	12ppm	13ppm	7ppm
1401-2000cc	15ppm	13ppm	9ppm
2000cc +	21ppm	17ppm	13ppm

(ppm = Pence Per Mile)

With effect from January 2008, the rates will be reviewed twice a year. Any changes will take effect on 1 January and 1 July but will be published on the HMRC website about 1 month in advance. (www.hmrc.gov.uk/cars/). HMRC will also consider changing the rates if fuel prices fluctuate by 5 per cent from the published rates when each review is made and we consider the price will be sustained.

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 Benefit in Kind and no Class 1 NICs liability. This reflects the fact that they are intended to reflect actual average fuel costs.

Approved Mileage Allowance Payment (AMAP)

Contrary to predictions that the Government would be cutting AMAP rates in the 2008 Budget, no change was announced. Approved Mileage Allowance Payments is currently set for cars at a single tax-free rate of 40 pence per mile, regardless of engine size, for the first 10,000 miles and 25 pence per mile for any miles above the first 10,000.

	First 10,000 business miles in the tax year	Each mile over 10,000 miles in the tax year
Cars and vans	40p	25p
Motor cycles	24p	24p
Bicycles	20p	20p

These rates apply where employees use their own cars for business travel and equate to the maximum amount an employee can receive without paying tax. An additional 5p per mile is available for each business passenger. With the exception of this passenger rate, where the employer pays less than the AMAP rate the employee can claim tax relief on the difference. Note that for NIC purposes the rate of 40p per mile can be utilised up to 10,000 miles in each earnings period.

Q

Has the Government missed a chance to link AMAPs to CO₂?

"The Treasury has given no indication that they will not modify the AMAP mechanism at some point in the future. It seems a little surprising that they have not taken the opportunity to reform AMAP within this "Green Budget", but it is likely that the rising fuel prices have given rise to some caution, along with a potential political backlash from a huge population of Public Sector workers (and others) that rely on AMAP payments. For the purposes of certainty I would welcome a statement from HM Treasury regarding any future plans, if any for AMAP reform."

Richard Cox, Business Development Leader, GE Capital Solutions

Fuel Duty

Fuel Duty Increase Deferred until October 2008

From 1st October 2008, the rates of duty on road fuel including ultra-low sulphur petrol and diesel will rise by 2.00 pence per litre, LPG will rise by 4.28 pence per litre and Natural gas will rise by 2.89 pence per litre.

Biofuel Duty Incentive differential will cease from April 2010

The 20 pence per litre duty incentive for Biofuels has been extended to 2009/10.

From April 2010 the biofuels duty differential will cease and the Renewable Transport Fuel Obligation will provide the total support for biofuels.

Private Fuel Benefit

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)..

For example a petrol car that has CO₂ emissions of 195g/km - The percentage used to calculate the company car tax charge for 2008/09 is 27%. The fuel benefit charge will be £16,900 × 27% = £4,563., a 40% Tax payer would incur a Tax charge of £1,825pa

Where free fuel ceases to be provided to an employee during the tax year, they will be required to pay only the proportion of the full annual tax charge related to the part of the year until free fuel stopped. The amount of Class 1A NICs due will be proportionally reduced to the same extent. However, receiving free fuel again later in the same tax year will prevent any apportionment for this reason. Cars that were registered before the 1st January 1998, and cars with no approved CO₂ emissions figure, the percentage figure to be used is the same figure used to calculate company car benefit.

New VAT Fuel Scale Charge Based on Carbon Emissions effective from 1st May 2008

CO ₂ Band	VAT Fuel Scale Charge 12 month	VAT on 12 month Charge	VAT Exclusive Charge 12 month
Below 120	£555.00	£82.66	£472.34
125	£830.00	£123.62	£706.38
130	£830.00	£123.62	£706.38
135	£830.00	£123.62	£706.38
140	£885.00	£131.81	£753.19
145	£940.00	£140.00	£800.00
150	£995.00	£148.19	£846.81
155	£1,050.00	£156.38	£893.62
160	£1,105.00	£164.58	£940.42
165	£1,160.00	£172.77	£987.23
170	£1,215.00	£180.96	£1,034.04
175	£1,270.00	£189.15	£1,080.85
180	£1,325.00	£197.34	£1,127.66
185	£1,380.00	£205.53	£1,174.47
190	£1,435.00	£213.72	£1,221.28
195	£1,490.00	£221.92	£1,268.08
200	£1,545.00	£230.11	£1,314.89
205	£1,605.00	£239.04	£1,365.96
210	£1,660.00	£247.23	£1,412.77
215	£1,715.00	£255.43	£1,459.57
220	£1,770.00	£263.62	£1,506.38
225	£1,825.00	£271.81	£1,553.19
230	£1,880.00	£280.00	£1,600.00
235 or more	£1,935.00	£288.19	£1,646.81

Capital Allowances for Cars

Capital Allowances for cars will be reformed with effect from 1st April 2009 which may herald a fundamental shift in fleet buying patterns.

CO₂ Emissions	Writing down Allowance
110g/km or below	100%
111g/km to 160g/km	20%
Above 160g/km	10%

The rules which disallow a proportion of car lease rental payments will be reformed in line with the new capital allowance rules. The new disallowance will be 15% of the relevant payments, applied to cars with CO₂ emissions above 160g/km. This replaces the Old rules around "Expensive Car Leasing Disallowance" (ECLD); and should enhance the benefits of Leasing for more expensive Cars.

A car costing £30k suffers a 30% loss of allowances on the capital element of the lease rental currently; whereas under the new rules if this car has CO₂ emissions in excess of 160g/km the rental restriction will be limited to 15%.



"Cars purchased from April 2009 are to be brought into the General Plant Pool and as such there will be an overall delay in the claiming of Capital Allowances, as companies will no longer be able to "Balance the Allowances" on disposal. Cars with CO₂ emissions in excess of 160g/km will suffer most as their Capital Allowance claim will be restricted to 10% per annum. However Cars with CO₂ emissions of 160g/km or below will enjoy Capital Allowance claims at the rate of 20% per annum without the previous restriction of being capped at £3,000 per annum under the current "Expensive Car" rules."

John Kelly, Key Solutions Leader, GE Capital Solutions

Enhanced Capital Allowances

The ability to claim 100% first year allowances on buying new low-emission cars has been restricted to cars with emissions of 110g/km or below; reduced from 120g/km with effect from 1st April 2008.

All businesses can claim 100% enhanced capital allowances (first year allowances) on buying new low-emission cars. The definition of these cars is as follows:

- > are registered on or after 17 April 2002; and
- > either emit not more than 110 gm/km CO₂; or
- > are electrically propelled.

A blue circular icon containing a white question mark, positioned to the left of the question text.

Will this encourage fleets into sub-110 g/km cars in any numbers?

“The previous threshold of 120g/km was beginning to have an effect on the market. A number of new models have been introduced immediately below this threshold, and there has been some significant take-up of these vehicles in the fleet sector. There are currently a very limited number of vehicles in the sub 110g/km category so in the short term I do not envisage a large take-up. I am sure that this will, however encourage manufacturers to develop cars within this lower emission threshold which will see benefits in the longer term. Perversely in the short term this may have an adverse effect on emissions as the benefits accruing from vehicles in the 110 to 120g/km are removed. Without this benefit, and without very few viable alternatives in the lower bracket, businesses may select vehicles with higher emissions. This will be tempered by the fact that the 120g/km threshold remains in place for the purpose of BIK and NI, which will encourage both employee and employer choice.”

Richard Cox, Business Development Leader, GE Capital Solutions

Legal Fundamentals

- > Legislation
- > Environment

Legislation

Legislation is dynamic - there have been a number of changes that may affect the operation of your Fleet. Employers now have specific responsibility regarding Health and Safety law in respect of 'on the road' work activities, as the company vehicle is now classed as an extension of the workplace.

There are a number of legislative implications of Work Related Road Safety which are the employers' responsibilities under Law:

The Health and Safety at Work Act 1974

This requires that employers should ensure the health and safety of all employees whilst they are at work. Employers are also responsible for ensuring that others are not put at risk by their employees' work-related driving activities.

Corporate Manslaughter and Homicide Act 2007

Came into effect April 2008, the Act creates a new offence where organisations whose gross failings in health and safety and Duty of Care obligations lead to a death of an individual could face prosecution and an unlimited fine.

The Management of Health and Safety at Work Regulations 1999

Employers are responsible for managing health and safety effectively, and this legislation sets out the requirements for an assessment of risks to the health and safety of employees whilst they are at work.

The Provision and use of Equipment Regulations 1998

This legislation provides that employees should have adequate training if they are to operate any work equipment safely. Consequently drivers should receive proper instruction in driving their vehicles safely and legally.

Road Safety Act 2006

It contains a raft of measures designed to help achieve casualty reduction targets and improve safety on Britain's roads. The Act introduces new offences of causing death by careless or inconsiderate driving; causing death by driving whilst unlicensed, disqualified, or uninsured; and keeping a vehicle that does not meet insurance requirements.

Mobile Phone Legislation

Drivers caught using a hand-held mobile phone while driving will be fined and given three penalty points on their license.

Section 87 (2) Road Traffic Act 1988

The section of the Road Traffic Act states that it is an offence for a person to cause or permit another person to drive a motor vehicle if that other person is not the holder of a licence authorising him to drive a motor vehicle of that class.

Smoke-free Law 2007

The Law requires that both Company Cars and Private Cars driven primarily for "Business Purposes" to be smoke-free at all times. It is the legal responsibility of anyone who drives,

manages or is responsible for order and safety on a vehicle to prevent people from smoking.

Environment

Government legislation aims 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. Recently introduced tax changes are one way in which the Government hopes 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 an environmentally unfriendly car will continue to rise. Tax and legislation should influence your choice of car, both now and in the future.

The reduction in vehicle emissions and fuel consumption is seen as a major contributory factor in minimising the effects of global warming. With some 25% of Europe's carbon footprint coming from transport and pollution related deaths in the UK alone increasing to 32,000 per year. There are a number of ways we can all help reduce the amount of CO₂ being pumped into the atmosphere such as:

> Car sharing

A recent survey has shown that 60% of workers would be happy to car share to work if there was someone suitable to travel with. Ask around and see if there is anyone coming into work from your direction, it could be a great way to meet new people and network too.

As the average UK car commuter drives some 19 miles a day cutting that in half through car sharing would save 648kg of carbon dioxide over one year, the same as that absorbed by 216 trees.

> Home working

Recent years has seen a significant increase in the number of people who are based from home and those who chose to work from home a number of days in the week. Technology such as dial-in conference calls, video conferencing and e-commerce means that home working is now more feasible than ever. Reducing the need to travel for business requirements is a great way to reduce your carbon footprint and save on travel and base costs. Consider if you could spend just one day a week working from home or if certain business trips to meetings could be conducted with the use of video conferencing equipment.

> Cycle Schemes

Have you ever thought about cycling to work? It could not only save you money on travel but also on the gym. 'Cyclescheme' works with independent bike shops to provide tax-free bikes for employees. The scheme aims to get people out of cars and onto bikes benefiting both the environment and your health. If you would like further information about the scheme, please go to www.cyclescheme.co.uk.

But the simplest message of all; the more economical your car, the less you'll pay in tax and the 'greener' you drive, the less CO₂ you emit.

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 taxable on the employee and if any payments are made below the maximum rate per mile, the employee can claim the difference.

Advisory Fuel Rates

The advisory fuel rates (guidelines on fuel only mileage rates for company cars) were first published in January 2002. It has been possible to use them since then to negotiate dispensations for mileage payments for business travel in company cars.

Benefit in Kind

This is a benefit other than cash given 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 (List Price for Tax) of the vehicle and its CO₂ emissions.

Capital Allowances for Cars

Capital Allowances is a system that allows companies to offset the cost of items used for their business against their tax bill.

Company Car

Is not owned by the employee, but is provided by an employer for the 'private use' of an employee or director, or a member of their family or household. Note that private use includes ordinary commuting journeys, i.e. home to work.

Employee Car Ownership Schemes

An Employee Car Ownership scheme refers to a genre of products whereby the title in the vehicle lies with the employee. The employee is subsequently liable for all charges, but is typically made equal by the employer. By definition there is no benefit in kind due on the vehicles and this amount is treated as a 'saving' in the total cost of provision.

P11D / List Price for Tax

The P11D is the list price of the car, the day before it was registered, including delivery charges but excluding Road Fund Licence and 1st Registration Fee. N.B. this is not the price you pay for the car.

The 'price' of the new car for tax purposes will usually be the total of;

- > The UK list price of the car published on the day before the date of registration including VAT and number plates
- > The list price of accessories fitted before the car was first made available to the employee (including VAT, delivery and fitting charges)
- > The list price of an accessory or set of accessories (e.g. alloy wheels) with a price of at least £100 (including VAT, fitting and delivery) fitted after the car was first made available to the employee.

Accessories fitted after the car was made available increase the price for the tax year in which they were fitted and subsequent years. Vehicle Excise Duty (road tax) and the new car registration fee are excluded.



UK Head Office
Old Hall Road
Sale
Cheshire
M33 2GZ
T 0870 444 9020
F 0870 444 2036



enquiries.fleet@ge.com
www.gefleetservices.co.uk

For further information covering the fundamentals of your fleet, the identification of potential savings and the level of benefits you can gain, you can contact us on the following:



For enquiries call 0800 262 147



enquiries.fleet@ge.com



www.gefleetservices.co.uk

For the latest industry news and views, please register our monthly newsletter: www.gefocus.co.uk

The statements and figures reproduced in these tables are intended for general guidance only. Where specific guidance is required professional advisers should be consulted.



GE imagination at work