

Guide to Company Car Tax

2011/2012

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Budget 2011: main points

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A reduction in fuel duty of 1p/litre was the main feature of this year's Budget, contrary to an anticipated rise of up to 5p/litre.

The Government announced that the previous administration's 'fuel duty escalator' announced in Budget 2009 will be abolished and replaced by a 'fair fuel stabiliser' where fuel duty will increase by RPI when oil prices are high.

In years when the oil price falls below a set trigger price on a sustained basis, the Government will increase fuel duty by RPI plus 1p/litre. The Government believes that a trigger price of \$75 per barrel is appropriate, and will set a final level and mechanism after consultation.

Other measures announced in Budget 2011 are detailed in this Guide to Company Car Tax.

▶ The 10% threshold for CO₂ emissions-based company car tax is set at 120g/km in 2011/12.

▶ From April 2012 the 10% BIK tax threshold will apply to cars with CO₂ emissions of 99g/km or less. The rate for cars with emissions of 100-105g/km will be 11%, increasing by 1% for every 5g/km to the maximum of 35%.

▶ Vehicle Excise Duty rates rose in line with the Retail Price Index in 2011/12, applicable from 1 April 2011. Cars with CO₂ emissions of up to 100g/km remain VED-exempt in 2011/12. First-year VED is zero-rated for cars with CO₂ emissions up to 130g/km (Bands A-D).

▶ The fuel benefit charge multiplier used to calculate tax due on 'free' fuel for private use rose to £18,800 from 6 April 2011.

▶ Approved Mileage Allowance Payments (AMAP) rates rose to 45p/mile for the first 10,000 business miles from 6 April 2011, remaining at 25p/mile for business mileage over 10,000.

▶ The £80,000 cap on list prices used to calculate the taxable benefit arising on company cars was abolished on 6 April 2011. Company car tax is calculated using qualifying cars' full P11D price from this date.

▶ Class 1A NICs, payable by employers on the company car benefit, rose by 1% to 13.8% annually on 6 April 2011.

▶ Capital allowances reduce in April 2012 from the current main rate of 20% to 18%; the special rate also reduces from 10% to 8%.



Vehicle excise duty (VED)

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2011/12 VED rates rose in line with the Retail Price Index, with first-year rates adding up to £540 in extra duty to the ROTR prices of qualifying cars. The so-called 'Showroom Tax' applies to all new cars in VED Band H and above – those with CO₂ emissions of 166g/km or more. Revised standard rates for cars already registered also became effective from the same date, as the chart, below, shows:

- ▶ Cars with CO₂ emissions of up to 100g/km are exempt from VED in 2011/12.
- ▶ First-year VED is zero-rated for all cars with CO₂ emissions up to 130g/km (Bands A-D).
- ▶ First-year VED rates of up to £1,000 ('Showroom Tax') are included in the ROTR prices of qualifying cars depending on their CO₂ emissions.
- ▶ In 2011/12, the alternative fuel discounted annual VED rate remains at £10.

VED bands and rates in 2011/12

VED Band	CO ₂ emissions (g/km)	2011/12 First year rate (£)	2011/12 ² Standard rate (£)
A	Up to 100	0	0
B	101-110	0	20
C	111-120	0	30
D	121-130	0	95
E	131-140	115	115
F	141-150	130	130
G	151-165	165	165
H	166-175	265	190
I	176-185	315	210
J	186-200	445	245
K ¹	201-225	580	260
L	226-255	790	445
M	Over 255	1,000	460

1: Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March, 2006. 2: Alternative fuel discount 2011/12 is £10 for all cars. VED rates for 2011/12 apply from 1 April 2011



Company car tax in 2011/12

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For 2011/12, the threshold for the 10% charge rate (13% for diesels) for calculating company car tax remains at 120g/km. Cars with CO₂ emissions of 121-129g/km are taxed at 15% of P11D price (18% for diesels), with each 5g/km increment thereafter rising by 1% up to the maximum of 35%.

In 2012/13, the 10% band (13% for diesels) applies to cars with CO₂ emissions up to 99g/km. The rate for cars with emissions of 100g/km will be 11%, increasing by 1% for every 5g/km to the maximum of 35%.

The chart (right) shows taxable percentages of P11D price applicable for 2011/12 and beyond.

ELECTRIC VEHICLES

From April 2010, zero-emission electric cars and vans were exempted from BIK tax for five years. They are also exempt from Vehicle Excise Duty.

50% BIK TAX REDUCTION FOR ULTRA-LOW EMITTERS

From April 2010, BIK tax became charged at 5% of taxable value for five years for drivers of company cars with CO₂ emissions of 1-75g/km.

CALCULATING BIK TAX IN 2011/12

The method of calculating your company car tax liability in 2011/12 depends on your car's P11D price and CO₂ emissions, and whether or not it is a diesel. All diesel cars registered on or after January 1, 2006, are liable to a 3% charge. There are BIK tax exemptions for zero-emission electric vehicles – see above.

CO₂ data for all Audi cars can be obtained from audi.co.uk or the Vehicle Certification Agency at vcacarfueldata.org.uk/search.

Example: an Audi A4 2.0 TDI 136PS SE with P11D price of £26,300 and CO₂ emissions of 120g/km, will attract a tax charge of 13% of its P11D value in 2011/12.

£26,300 x 13% gives a taxable value of £3,419, equating to yearly tax liability of £683 (£56 per month) for a 20% tax payer, £1,367 (£113 per month) for a 40% tax payer and £1,709 (or £142 per month) for a 50% tax payer.

Taxable percentages of P11D value

% of P11D price to be taxed	CO ₂ (g/km) 2011/12	CO ₂ (g/km) 2012/13	CO ₂ (g/km) 2013/14
5*	Up to 75	Up to 75	Up to 75
10*	120	Up to 99	Up to 95
11*	-	100	95
12*	-	105	100
13*	-	110	105
14*	-	115	110
15*	121-129	120	115
16*	130	125	120
17*	135	130	125
18*	140	135	130
19*	145	140	135
20*	150	145	140
21*	155	150	145
22*	160	155	150
23*	165	160	155
24*	170	165	160
25*	175	170	165
26*	180	175	170
27*	185	180	175
28*	190	185	180
29*	195	190	185
30*	200	195	190
31*	205	200	195
32*	210	205	200
33**	215	210	205
34***	220	215	210
35****	225	220	215

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

Capital allowances and lease rental restriction

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The capital allowance treatment of company cars was reformed to favour those with low CO₂ emissions with effect from 1 April 2009 for corporation tax and 6 April 2009 for income tax.

Existing cars on-fleet at those dates continue under the previous regime, based on vehicle price, until disposal, with a likely switch-over period of five years imposed from the date of inception of the new system.

Under the emissions-based rules, company cars registered since April 2009 with CO₂ emissions of 111g/km to 160g/km inclusive attract a 20% write-down allowance (WDA), while those with emissions above 160g/km attract a 10% WDA.

As with the previous system, a 100% first-year allowance applies to cars with emissions of 110g/km or less, with this allowance applicable until March 31, 2013. Zero-emission electric vans became eligible for a 100% first-year capital allowance from April 2010, joining electric cars which have qualified for the allowance since 2002.

From April 2012, main rate capital allowances will be cut from 20% to 18%, with the special rate cut from 10% to 8%, ensuring both allowances remain in line with economic depreciation rates.

Leasing disallowances (lease rental restriction)

New cars with CO₂ emissions of 160g/km or less are eligible for 100% of their lease payments to be offset against corporation tax.

The rules which disallow a proportion of car lease rental payments have also been reformed in line with the new capital allowances rules, with the new disallowance set at 15% of the relevant payments, applied to cars emitting 161g/km of CO₂ or more.



Class 1A National Insurance Contributions 2011/12

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Calculation of employers' Class 1A National Insurance Contributions

For 2011/12 the percentage for the calculation of employers' Class 1A National Insurance Contributions (NICs) on company cars rose from 12.8% to 13.8% of taxable value.

To calculate the annual Class 1A NICs, 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 13.8% to give the annual tax due.

Example: An Audi A4 2.0 TDI SE with a P11D value of £26,300 has CO₂ emissions of 120g/km. The tax percentage for this model is therefore 13% in 2011/12. Multiplying £26,300 by 13% derives a taxable value of £3,419, which, when multiplied by 13.8%, gives annual Class 1A NIC due of £471 in 2011/12.



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

From 6 April 2011, the Government set figure for calculating the tax due on employer-provided 'free' fuel for private use in a company car rose from £18,000 to £18,800. 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 – £18,800 from 6 April 2011

Example: an Audi A3 1.6 TDI 105PS has combined fuel consumption of 74.3mpg and CO₂ emissions of 99g/km.

- ▶ The tax percentage for this model is 13%, so the fuel scale charge for 2011/12 is £18,800 x 13% = £2,444, equating to £488 tax liability for a 20% tax payer, £977 for a 40% tax payer and £1,222 for a 50% tax payer.
- ▶ £488 will pay for 78 gallons of diesel for a 20% tax payer (or 158 gallons for a 40% tax payer and 197 gallons for a 50% tax payer), assuming the national average price for diesel of £6.18/gallon or £1.36/litre (April 2011). Break-even mileage is 78 x 74.3 = 5,795 private miles for a 20% tax payer (11,739 miles at 40%; 14,637 miles at 50%).
- ▶ If the number of private miles you cover is less than the break-even mileage, consider paying for the fuel yourself as it will cost less than your tax liability. If the number of private miles you cover is greater than the break-even mileage, you are better off paying the tax.

Business mileage in a private car: reimbursement rates in 2011/12

The 2011/12 Tax and National Insurance-exempted amounts claimable under the HMRC Approved Mileage Allowance Payments (AMAP) rates for business mileage in a private car are shown 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.

AMAP rates 2011/12

	Up to 10,000 miles	Over 10,000 miles
All cars	45p	25p

