

TAXATION OF COMPANY CARS

You'll pay tax if a company car is given to you or your family to use privately, including for commuting.

You pay tax on the value of the company car, which depends on things like how much it would cost to buy and the type of fuel it uses. Its value is reduced if you have the car part-time or you pay something towards its cost.

The basis of calculation for the year commencing 6th April 2015 is as follows:

The tax charge is based on a percentage of the car's original list price (OMV) graduated according to the levels of CO2 emissions. The charge is 5% of the car's OMV for cars with emissions at or below 50g/km of CO₂, rising in steps to a maximum of 37%.

Diesel cars are subject to an extra 3% charge. The charge is restricted to an overall maximum of 37%. The 3% diesel supplement is removed from April 2016.

If your employer pays for fuel you use personally and not for your job, you'll pay tax on this separately. The taxable car fuel benefit is calculated by applying the CO2 based car benefit percentage to the fuel benefit multiplier of £22,100.

If you are provided with a company van, rather than a car, the van benefit charge is £3,150 and the van fuel benefit charge is £594.

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Examples:

Landrover Discovery SE, CO2 213g/km, OMV £41,600

- Car Benefit is £15,392
- Fuel Benefit £8,177

Ford Focus petrol, CO₂ 136g/km, OMV £14,000

- Car Benefit is £3,080
- Fuel Benefit £4,862

Employers and employees may wish to consider their car fleet policies and look at alternatives.

An option is for the employee to buy the car personally and claim H M Revenue and Customs approved mileage rates. This can be beneficial if business mileage is substantial.

This is a complex area and we would recommend obtaining appropriate advice before a decision is made.

APPROVED MILEAGE RATES

These rates represent the maximum tax-free mileage allowances which can be paid to employees using their own vehicles for business. Any excess is taxable. If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

Self-employed businesses may also calculate car, van or motorcycle expenses using the approved mileage rates instead of the actual costs of buying and running the vehicle e.g. insurance, repairs, servicing, fuel. In addition a claim can be made for interest on a loan to purchase the vehicle.

A record of business mileage should be maintained, detailing date and purpose of journey, total business miles and mileage allowances received.

Cars and Vans

- First 10,000 miles 45p
- Over 10,000 miles 25p

Passengers 5p per mile per passenger for the same business journey

Bicycles 20p

Motorcycles 24p

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