

Guide to Company Car Tax 2009/2010

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Budget 2009: key points

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Budget 2009 revealed the future direction for company car tax, and brought in the new 13-band emissions-based vehicle excise duty (VED) system.

The Chancellor also stated the Government was considering the case for abolishing the 3% diesel supplement in company car tax for diesel cars complying with Euro 6 emissions standards.

Other key points included:

- ▶ The existing CO₂ emissions-based company car tax rules remain unchanged for 2009/10. The lower emissions threshold reduces to 130g/km in 2010/11, with a further reduction to 125g/km in 2011/12.
- ▶ From April 2012 the 10% rate of BIK tax will apply to cars with CO₂ emissions of 99g/km or less. The Government intends to abolish the current 10% tax band in 2012 in favour of an extended band system, with a 1% rise for every 5g/km increase in CO₂ emissions from 10%.
- ▶ The new 13-band CO₂-based vehicle excise duty system came into force on May 1, 2009. Government will further separate out the 13 VED bands from April 2010.
- ▶ The £80,000 cap on list prices used to calculate the taxable benefit arising on company cars will be abolished from April 6, 2011.



Vehicle excise duty (VED)

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The new 13-band graduated VED system became effective on May 1, 2009, with rates and bands incentivising the take-up of lower emitting cars. The key points are:

- ▶ A new top band – Band M – for cars emitting over 255g/km of CO₂.
- ▶ 2009 VED rates rose by no more than £5 for cars in all bands.
- ▶ Government announced it will further separate out the 13 new VED bands from April 2010.
- ▶ In 2010/11, new first year ‘showroom rates’ apply according to the scale shown in the table, right. For cars in Band M, the first-year rate is set at £950. The first year zero VED rate will include all new cars emitting 130g/km of CO₂ or less.
- ▶ In 2010/11, the alternative fuel discounted rate reduces to £10 for all cars.

VED bands, 2009/10 and 2010/11

VED Band	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	0
B	101-110	35	0	20
C	111-120	35	0	30
D	121-130	120	0	90
E	131-140	120	110	110
F	141-150	125	125	125
G	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. Rates for 2009/10 apply from May 1, 2009.



Company car tax in 2009/10

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The threshold for the minimum percentage charge rate for calculating company car tax remains as for 2008/9, at 135g/km in 2009/10.

In 2010/11, the lower threshold reduces to 130g/km, and reduces further to 125g/km in 2011/12. The chart (right) shows taxable percentages of P11D price applicable for 2009/10 and beyond.

Calculating BIK tax in 2009/10

The method of calculating your company car tax liability in 2009/10 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.

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

In 2009/10 an Audi A4 2.0 TDI SE 120PS, for example, with P11D price of £24,435 and CO₂ emissions of 129g/km, will attract a tax charge of 18% of its P11D value. £24,435 x 18% gives a taxable value of £4,398, equating to a yearly tax bill of £879 (£73 per month) for a 20% tax payer or £1,759 (£146 per month) for a 40% tax payer.

From April 2010, electric cars and vans will be exempt from company car tax for five years. They are already exempt from Vehicle Excise Duty.

Taxable percentages of P11D value

% of P11D price to be taxed	CO ₂ (g/km) 2009/10	CO ₂ (g/km) 2010/11	CO ₂ (g/km) 2011/12
10*	120	120	120
15*	135	130	125
16*	140	135	130
17*	145	140	135
18*	150	145	140
19*	155	150	145
20*	160	155	150
21*	165	160	155
22*	170	165	160
23*	175	170	165
24*	180	175	170
25*	185	180	175
26*	190	185	180
27*	195	190	185
28*	200	195	190
29*	205	200	195
30*	210	205	200
31*	215	210	205
32*	220	215	210
33**	225	220	215
34***	230	225	220
35****	235	230	225

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



Capital allowances and lease rental restriction

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Capital Allowances based on emissions of CO₂

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

Existing cars on-fleet at these 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 new rules, new company cars with CO₂ emissions of 111g/km to 160g/km inclusive will attract a 20% write-down allowance (WDA), while those with emissions above 160g/km will attract only 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.

Electric vans will be eligible for a 100% first year capital allowance from April 2010, joining electric cars which have qualified for the allowance since 2002.

Leasing disallowances (lease rental restriction)

Leasing disallowances also changed, with the introduction of a new emissions-based system. 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 dealt with in the 10% rate pool.



Class 1A National Insurance Contributions 2009/10

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Calculation of employers' Class 1A National Insurance Contributions

For 2009/10 the percentage for the calculation of employers' Class 1A National Insurance Contributions (NICs) on company cars remains as for 2008/9 at 12.8% 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 12.8% to give the annual tax due.

Class 1A NICs will rise by 0.5% in April 2011, from 12.8% annually to 13.3% annually.



Fuel allowances

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

For 2009/10, the Government set figure for calculating the tax due on employer-provided 'free' fuel for private use in a company car remains as for 2008/9 at £16,900. However, the set figure rises to £18,000 from 6 April 2010. For vans, the fuel benefit charge will rise from the current £500 to £550 from the same date. 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 – £16,900 until 6 April 2010 and £18,000 thereafter



Example: an Audi A3 1.6 TDI 105PS SE has combined fuel consumption of 68.9mpg and CO₂ emissions of 109g/km.

- ▶ The tax percentage for this model is 13%, so the fuel scale charge for 2009/10 is £16,900 x 13% = £2,197, equating to £439 tax liability for a 20% tax payer (or £878 for a 40% tax payer).
- ▶ £439 will pay for 88 gallons of diesel for a 20% tax payer (or 176 gallons for a 40% tax payer), assuming the national average price for diesel of £4.97/gallon or 109.4p/litre (December 2009).
- ▶ Break-even mileage is 88 x 68.9 = 6,063 private miles for a 20% tax payer (or 12,126 private miles for a 40% tax payer).
- ▶ 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 2009/10

The 2009/10 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 2008/9 (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.

Authorised Mileage Allowance Payments (AMAP) rates 2009/10

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