

Guide to Company Car Tax 2010/2011

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Budget 2010: main points

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Budget 2010 announced further incentives for fleets and company car drivers to consider ultra-low emission cars; from April 2010, BIK tax will be charged at 5% of taxable value for five years for drivers of company cars with CO₂ emissions of between 1 and 75g/km.

The move comes on the back of a five-year exemption from company car tax for drivers of electric cars and vans from the same date. Electric vans also join electric cars in becoming eligible for a 100% first-year capital allowance from April 2010.

Other key Budget announcements include:

- ▶ The lower CO₂ emissions threshold for calculating company car benefit in kind tax is reduced by 5g/km to 130g/km from 6 April 2010, with a further reduction to 125g/km in April 2011.
- ▶ From April 2012 the 10% rate of BIK tax will apply to cars with CO₂ emissions of 99g/km or less. The lowest appropriate percentage will still be 10%, but will apply to cars with CO₂ emissions of 99g/km or less. The rate for cars with emissions of 100g/km will be 11%, increasing by 1% for every 5g/km to the maximum of 35%.

▶ Revised VED rates apply from 1 April 2010, with new first-year rates imposing extra duty for new cars in Band H and above – those with CO₂ emissions of 166g/km or more. This so-called ‘Showroom Tax’ adds up to £515 to the ROTR price of qualifying cars.

▶ Phased introduction of road fuel duty increases, with a 1p/litre rise scheduled for 1 April 2010, a further 1p/litre rise on October 1, and a rise of 0.76p/litre on 1 January 2011.

▶ The fuel benefit charge multiplier used to calculate the tax due on employer-provided fuel for private use rises from £16,900 to £18,000 on 6 April 2010. For vans, the fuel benefit charge rises from £500 to £550 from the same date.

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

▶ Class 1A NICs, payable by employers on the company car benefit, will rise by 1.0% in April 2011, from 12.8% to 13.8% annually.



Vehicle excise duty (VED)

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New first-year rates of VED become effective from 1 April 2010, adding up to £515 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 become effective from the same date, as the chart, right, shows:

- ▶ Cars with CO₂ emissions of up to 100g/km are exempt from VED in 2010/11.
- ▶ First-year VED is zero-rated for all cars with CO₂ emissions up to 130g/km (Bands A-D).
- ▶ First-year VED rates ('Showroom Tax') add up to £515 to the ROTR prices of qualifying cars.
- ▶ In 2010/11, the alternative fuel discounted annual VED rate is reduced to £10 for all qualifying cars, and removed altogether from April 2011.

VED bands and rates in 2010/11

VED Band	CO ₂ emissions (g/km)	2010/11 ² First year rate (£)	2010/11 Standard rate (£)
A	Up to 100	0	0
B	101-110	0	20
C	111-120	0	30
D	121-130	0	90
E	131-140	110	110
F	141-150	125	125
G	151-165	155	155
H	166-175	250	180
I	176-185	300	200
J	186-200	425	235
K ¹	201-225	550	245
L	226-255	750	425
M	Over 255	950	435

1: Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March, 2006. 2: Alternative fuel discount 2010/11 is £10 for all cars. Rates for 2010/11 apply from 1 April 2010



Company car tax in 2010/11

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For 2010/11, the threshold for the minimum percentage charge rate for calculating company car tax reduces to 130g/km. It reduces further to 125g/km in 2011/12. The chart (right) shows taxable percentages of P11D price applicable for 2010/11 and beyond.

From April 2012 the 10% rate of BIK tax will apply to cars with CO₂ emissions of 99g/km or less. The lowest appropriate percentage will still be 10%, but will apply to cars with CO₂ emissions of 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 current maximum of 35%.

Electric vehicles

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

50% BIK tax reduction for ultra-low emitters

From April 2010, BIK tax will be 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 2010/11

The method of calculating your company car tax liability in 2010/11 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 left.

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 £25,135 and CO₂ emissions of 120g/km, will attract a tax charge of 13% of its P11D value in 2010/11.

£25,135 x 13% gives a taxable value of £3,267, equating to yearly tax liability of £653 (£54 per month) for a 20% tax payer, £1,307 (£108 per month) for a 40% tax payer and £1,633 (or £136 per month) for a 50% tax payer.

Taxable percentages of P11D value

% of P11D price to be taxed	CO ₂ (g/km) 2010/11	CO ₂ (g/km) 2011/12	CO ₂ (g/km) 2012/13
10*	120	120	Up to 99
11*	-	-	100
12*	-	-	105
13*	-	-	110
14*	-	-	115
15*	121-134	121-129	120
16*	135	130	125
17*	140	135	130
18*	145	140	135
19*	150	145	140
20*	155	150	145
21*	160	155	150
22*	165	160	155
23*	170	165	160
24*	175	170	165
25*	180	175	170
26*	185	180	175
27*	190	185	180
28*	195	190	185
29*	200	195	190
30*	205	200	195
31*	210	205	200
32*	215	210	205
33**	220	215	210
34***	225	220	215
35****	230	225	220

* 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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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 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 are 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)

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 2010/11

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Calculation of employers' Class 1A National Insurance Contributions

For 2010/11 the percentage for the calculation of employers' Class 1A National Insurance Contributions (NICs) on company cars remains as for 2009/10 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.

Example: An Audi A4 2.0 TDIe SE with a P11D value of £25,135 has CO₂ emissions of 120g/km. The tax percentage for this model is therefore 13% in 2010/11. Multiplying £25,135 by 13% derives a taxable value of £3,267, which, when multiplied by 12.8%, gives annual Class 1A NIC due of £418 in 2010/11.

Class 1A NIC rates rise in April 2011

The percentage at which Class 1A NICs are calculated rises by 1.0% in April 2011, from 12.8% of taxable value annually to 13.8%.

Class IA NICs are payable by employers on the company car benefit.



Fuel allowances

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

For 2010/11, the Government set figure for calculating the tax due on employer-provided 'free' fuel for private use in a company car rises from £16,900 to £18,000, applicable from 6 April 2010. For vans, the fuel benefit charge rises from the current £500 to £550. 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 – £18,000 from 6 April 2010



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 2010/11 is £18,000 x 13% = £2,340, equating to £468 tax liability for a 20% tax payer, £936 for a 40% tax payer and £1,170 for a 50% tax payer.
- ▶ £468 will pay for 88 gallons of diesel for a 20% tax payer (or 177 gallons for a 40% tax payer and 222 gallons for a 50% tax payer), assuming the national average price for diesel of £5.26/gallon or 116.0p/litre (March 2010).
- ▶ Break-even mileage is $88 \times 74.3 = 6,538$ private miles for a 20% tax payer (13,151 miles at 40%; 16,494 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 2010/11

The 2010/11 Tax and National Insurance-exempted amounts claimable under the HM Revenue & Customs Authorised Mileage Allowance Payments (AMAPs) for business mileage in a private car are as 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.

Authorised Mileage Allowance Payments (AMAP) rates 2010/11

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