

Budget Briefing March 2012

A comprehensive guide to the impact of
the 2012 Budget on your Fleet



Key Solutions
Thought Leadership

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Budget in Brief

Benefit-in-Kind (BIK)

"Legislation will be introduced in the Finance Bill 2012 to increase the appropriate percentage for company cars emitting more than 75g of carbon dioxide per kilometre by one percentage point to a maximum of 35 per cent in 2014-15."

BIK scale charges for 2014/15 have increased by 1% in-line with expectations and consistent with recent government policy.

However, the changes announced for 2015/16 are of greater significance; with sub 95g/km cars being increased significantly. In particular, the impact will be felt by zero emitting / electric cars, where the 0% BIK band will increase to 13%. By way of an example; on an Electric Car with a P11D of £27,000 this will result in a £1,404 increase in annual BIK for a 40% tax payer.

From April 2016, the 3% surcharge applied to diesel cars will be scrapped. Whilst this is a positive step, it is disappointing that this will not be implemented for another 4 years. In addition, it appears the Government is offsetting the removal of the 3% diesel surcharge by increasing all BIK scale charges by 2% per annum in 2015 and 2016.

Whilst the most significant changes to benefit-in-kind levels aren't activated until 2015/16, with the majority of fleet vehicles now being retained for 4 years, fleet operators should consider these changes when formulating fleet policy over the next 12 months.

Private Fuel

"Employees and directors who are provided with a company car and who also receive free fuel from their employers are subject to the fuel benefit charge. The cash equivalent of the taxable benefit is determined by multiplying a set figure by the appropriate percentage for the car, based on its CO2 emissions (grams per kilometre).

A statutory instrument laid after the Budget 2012 will increase the car fuel benefit charge multiplier from £18,800 to £20,200 from 6 April 2012. The multiplier will increase by two per cent above the rate of inflation (based on RPI) in 2013-14."

This is a considerable increase in the Fuel Scale Multiplier equating to 7.5%. With substantial increases in the cost of fuel at the pumps over the past 12 months, this increase is expected.

For a typical company car achieving 50mpg and travelling 10,000 private miles per annum the cost to the company of providing free private fuel has increased by £125 p.a (£90 fuel costs + £35 Class 1A NI), compared to 12 months ago.

Free private fuel for company car drivers continues to be an expensive benefit to provide. With fuel costs at the pumps likely to remain high in the short term, we would recommend employers review the provision of free private fuel with a view to consider phasing out or removing the benefit where possible.

Fuel / Fuel Duty

"The Government announced at Autumn Statement 2011 that the 3.02ppl fuel duty increase that was due to take effect on 1 January 2012 will be deferred to 1 August 2012 and the inflation increase that was planned for 1 August 2012 will be cancelled. This will ensure that there will only be one RPI increase this year."

Whilst the August rise in fuel duty is disappointing, realistically this duty rise was likely following the deferral of January's duty increase. With fuel prices at the pumps remaining high and future uncertainty over oil prices still of concern, it is imperative that fleet operators have a detailed fuel cost management strategy.

Vehicle Excise Duty (VED)

"The Budget 2012 announced that from 1 April 2012, VED rates will increase in line with RPI inflation and Heavy Goods Vehicle rates will be frozen."

The small rises and freeze in VED for HGVs is particularly welcomed by fleets operating commercial vehicles. In addition, the CO₂ bandings have remained at the same level, providing assurance to fleet operators.

Capital Allowances

First-year capital allowances for low emission cars : "Legislation will be introduced in Finance Bill 2013 to extend the 100 per cent first year capital allowance for businesses purchasing low emission cars for two years beyond the current expiry date of 31 March 2013, except for leased cars. The qualifying threshold will also be reduced to 95g/km driven from the same date, to match EU emissions targets for 2015"

Capital allowances emissions threshold for a main rate car: "Legislation will be introduced in Finance Bill 2013 to reduce the threshold for a main rate car to 130g/km, to match EU emissions targets for 2020, and the associated lease rental restriction will also be revalorised in line with this change. These changes will be with effect from 1 April 2013 (for businesses in the charge to corporation tax) or 6 April 2013 (for businesses in the charge to income tax)."

The reduction in threshold for low emissions cars to 95g/km for first year capital allowances was expected and reflects the trends in company car choices. From April 2013, some typical fleet cars, such as the BMW 320ED at 109g/km, will therefore no longer receive 100% first year allowances.

The bigger change is to the threshold for main rate cars; moving from 160g/km to 130g/km in April 2013. Typically fleet operators have used the 160g/km threshold as a guide to structuring fleet policy, with many CO₂ caps in place at this level. The impact of this change will be to reduce the annual tax relief available to for employers who operate company car fleets, typically by £100-£150 for a leased car or £500 for an outright purchased car.

This reduction is therefore likely to be seen as the new standard for CO₂ emissions levels. With recent advancements in technology, a sub 130g/km car fleet is attainable whilst maintaining a good choice for the driver population. This move also highlights the benefits of considering each cars' total cost (capital cost, fuel, Class 1A NI etc.) when constructing driver choice lists.

Corporate Taxes

Corporation Tax Rates

Corporation Tax Rates for financial years starting on 1 April							
	2008	2009	2010	2011	2012	2013	2014
Small Profits Rate	21%	21%	21%	20%	20%	20% (TBA)	20% (TBA)
Main rate of Corporation Tax	28%	28%	28%	26%	24%	23%	22%

Capital Allowances

Capital Allowances for financial years starting on 1 April			
	2012		2013
Cars CO2 <111g/km	100%	Cars CO2 <96g/km	100%
Electric Vans	100%	Electric Vans	100%
Vans	18%	Vans	18%
Cars CO2 111 to 160g/km	18%	Cars CO2 96 to 130g/km	18%
Cars CO2 >160g/km	8%	Cars CO2 >130g/km	8%

Lease Rental Relief

The rule, which disallows a proportion of car lease rental payments, was reformed in 2009, whereby the disallowance is 15% of the relevant payments for vehicles with emissions over 160g/km. Cars emitting 160g/km or less, and any light commercial vehicle, attract full tax relief. This threshold reduces from 160g/km to 130g/km with effect from April 2013.

National Insurance

Class 1 NICs: thresholds						
Class 1 NICs thresholds	Figures to use 2011-12			Figures to use 2012-13		
	Per Week	Per Month	Per Year	Per Week	Per Month	Per Year
Lower earnings limit (LEL)	£102	£442	£5,304	£107	£463	£5,564
Primary Threshold (PT)	£139	£602	£7,225	£146	£632	£7,592
Upper accrual point (UAP)	£770	£3,337	£40,040	£770	£3,337	£40,040
Upper earnings limit (UEL)	£817	£3,540	£42,475	£817	£3,540	£42,475

Class 1A NICs: rates for employee and employer contributions April 2011-12					
NICs category	Earnings below LEL	Earnings from LEL up to and including ET	Earnings above ET up to and including UAP	Earnings above UAP up to and including UEL	Earnings above UEL
Employee	NIL	0%	12%	12%	2%
Employer	NIL	0%	13.80%	13.80%	13.80%

Class 1A NICs: rates for employee and employer contributions April 2012-13					
NICs category	Earnings below LEL	Earnings from LEL up to and including ET	Earnings above ET up to and including UAP	Earnings above UAP up to and including UEL	Earnings above UEL
Employee	NIL	0%	12%	12%	2%
Employer	NIL	0%	13.80%	13.80%	13.80%

VAT

The standard rate of VAT will remain at 20%.

Private Fuel – VAT Fuel Scale Charge

The VAT Fuel Scale Charge system is a simplified means of taxing the private use of business fuel. The scale charges are amended annually in line with average fuel costs.

The scale charge for a particular vehicle is determined by its CO² emissions figure. Where the CO² emissions figure of a vehicle is not a multiple of five, the figure is rounded down to the next multiple of five to determine the level of the charge. For a bi-fuel vehicle which has two CO² emissions figures, the lower of the two figures should be used. For cars which are too old to have a CO² emissions figure, HM Revenue & Customs have prescribed a level of emissions by reference to the vehicle's engine capacity.

CO2 emissions	From 01/05/2012	VAT on 12mth Charge	Change
Below 120	£665.00	£110.83	£5.83
125	£1,000.00	£166.67	£9.17
130	£1,065.00	£177.50	£9.17
135	£1,135.00	£189.17	£10.83
140	£1,200.00	£200.00	£10.83
145	£1,270.00	£211.67	£11.67
150	£1,335.00	£222.50	£12.50
155	£1,400.00	£233.33	£12.50
160	£1,470.00	£245.00	£14.17
165	£1,535.00	£255.83	£14.17
170	£1,600.00	£266.67	£14.17
175	£1,670.00	£278.33	£15.83
180	£1,735.00	£289.17	£15.83
185	£1,800.00	£300.00	£15.83
190	£1,870.00	£311.67	£17.50
195	£1,935.00	£322.50	£17.50
200	£2,000.00	£333.33	£18.33
205	£2,070.00	£345.00	£19.17
210	£2,135.00	£355.83	£19.17
215	£2,200.00	£366.67	£20.00
220	£2,270.00	£378.33	£20.83
225 or more	£2,335.00	£389.17	£21.67

Benefit-in-Kind

Cars

Where a car is made available for an employee's private use, a taxable benefit arises under sections 114 and 120 Income Tax (Earnings and Pensions) Act 2003 (ITEPA). Company car tax was reformed in April 2002 and is now calculated by applying the appropriate percentage to the list price of the car. The appropriate percentage is related to the CO₂ emissions of the car and ranges from 0% - 35% (37% in 2015). Up to April 2016, diesel cars attract a 3% supplement on petrol percentages (capped at 35%/37%)

Benefit in Kind CO2 Bands by Tax Year					
CO2 Emissions g/km	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Zero Emissions	0%	0%	0%	13%	15%
1 to 75	5%	5%	5%	13%	15%
76 to 94	10%	10%	11%	13%	15%
95 to 99	10%	11%	12%	14%	16%
100 to 104	11%	12%	13%	15%	17%
105 to 109	12%	13%	14%	16%	18%
110 to 114	13%	14%	15%	17%	19%
115 to 119	14%	15%	16%	18%	20%
120	15%	16%	17%	19%	21%
121 to 124	15%	16%	17%	19%	21%
125 to 129	16%	17%	18%	20%	22%
130 to 134	17%	18%	19%	21%	23%
135 to 139	18%	19%	20%	22%	24%
140 to 144	19%	20%	21%	23%	25%
145 to 149	20%	21%	22%	24%	26%
150 to 154	21%	22%	23%	25%	27%
155 to 159	22%	23%	24%	26%	28%
160 to 164	23%	24%	25%	27%	29%
165 to 169	24%	25%	26%	28%	30%
170 to 174	25%	26%	27%	29%	31%
175 to 179	26%	27%	28%	30%	32%
180 to 184	27%	28%	29%	31%	33%
185 to 189	28%	29%	30%	32%	34%
190 to 194	29%	30%	31%	33%	35%
195 to 199	30%	31%	32%	34%	36%
200 to 204	31%	32%	33%	35%	37%
205 to 209	32%	33%	34%	36%	37%
210 to 214	33%	34%	35%	37%	37%
215 to 219	34%	35%	35%	37%	37%
220 to 224	35%	35%	35%	37%	37%
225 to 229	35%	35%	35%	37%	37%
230 to 234	35%	35%	35%	37%	37%
235 and above	35%	35%	35%	37%	37%

* The 35% BIK cap is increased to 37% from April 2015

* The 3% Diesel surcharge is moved from April 2016

Vans

If you make a van available to your employees and they use it privately for journeys other than commuting your employees have to pay tax on the benefit of this. They will also have to pay tax if you provide fuel for private use in that van.

Benefit in Kind on Vans remains unchanged with the scale charge for unrestricted use at £3,000 and the charge for private fuel remaining at £550.

Private Fuel

An additional taxable benefit arises from section 149 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 if the employee receives free fuel for the company car for their private use. The company car fuel benefit tax charge was reformed in April 2003 to align with the environmental principles of the company car tax system. Since April 2003, the fuel benefit charge has been calculated by applying the company car tax appropriate percentage to a set figure known as the multiplier. The multipliers are as follows:

Tax Year	Private Fuel Multiplier
2009/10	£16,900
2010/11	£18,000
2011/12	£18,800
2012/13	£20,200

For example; the percentage used to calculate the company car tax charge for a diesel car that has CO² emissions of 145g/km, would be 23% for 2012/13. The fuel scale charge will be £20,200 x 23% = £4,646 per annum.

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.

Vehicle Excise Duty

Cars

Vehicle Excise Duty for Cars registered on or after 1 March 2001

VED band	CO2 emissions (g/km)	Standard rate 2011-12*	Standard Rate 2012-13*
A	Up to 100	£0	£0
B	101-110	£20	£20
C	111-120	£30	£30
D	121-130	£95	£100
E	131-140	£115	£120
F	141-150	£130	£135
G	151-165	£165	£170
H	166-175	£190	£195
I	176-185	£210	£215
J	186-200	£245	£250
K***	201-225	£260	£270
L	226-255	£445	£460
M	Over 255	£460	£475

Vehicle Excise Duty for brand new Cars: 2012-13 first-year rates

VED band	CO2 emissions (g/km)	2011-12	Alternative fuels 2011-12	2012-13	Alternative fuels 2012-13
A	Up to 100	£0	£0	£0	£0
B	101-110	£0	£0	£0	£0
C	111-120	£0	£0	£0	£0
D	121-130	£0	£0	£0	£0
E	131-140	£115	£105	£120	£110
F	141-150	£130	£120	£135	£125
G	151-165	£165	£155	£170	£160
H	166-175	£265	£255	£275	£265
I	176-185	£315	£305	£325	£315
J	186-200	£445	£435	£460	£450
K**	201-225	£580	£570	£600	£590
L	226-255	£790	£780	£815	£805
M	Over 255	£1,000	£990	£1,030	£1,020

* Alternative Fuel discount: 2010/11 onwards £10 for all cars

**Includes cars emitting over 225g/km registered before 23 March 2006

Vans

Vehicle Excise Duty rates for vans registered on or after 01 March, 2001		
Engine Size	2011-12	2012-13
1549cc & below	£130	£135
Above 1549cc	£215	£220

Fuel Reimbursement

Advisory Fuel Rates

In January 2002, the Inland Revenue published Advisory Fuel Rates (AFRs) as a guideline for fuel only mileage rates for company cars, depending on engine size and fuel type. AFRs are not binding but if an employer pays less than or equal to the AFR we accept that there is no tax or NICs liability and that these rates may be included in a dispensation. Indeed, for the sake of consistency, if employers agree, we believe that in many circumstances these rates should be those included in a dispensation.

AFRs may apply where an employer;

- reimburses an employee for business travel in their company car, or
- requires an employee to repay the cost of fuel used for private travel.

If an employer pays fuel only rates in excess of the AFR, unless this can be justified because of unusually high mileage costs (e.g. 4x4 vehicles over rough terrain), the rate will include an element of taxable profit and be treated as earnings for NICs purposes. Consequently rates above the AFR should not normally be included in a dispensation.

1st March 2012				
Engine	Petrol	LPG	Engine	Diesel
1400cc or Less	15.00 p	10.00 p	1600cc or Less	13.00 p
1401cc to 2000cc	18.00 p	12.00 p	1601cc to 2000cc	15.00 p
Over 2000cc	26.00 p	18.00 p	Over 2000cc	19.00 p

Authorised Mileage Allowance Payments (AMAP)

Statutory mileage rates are used to work out the approved amount for mileage allowance, the maximum amount of mileage allowance payments that can be paid free of tax under the AMAPs legislation. They are also used to calculate the amount of any mileage allowance relief (MAR) available to the employee. These rates are shown below.

Kind of vehicle	Business miles	6th April 2011 onwards
Car or van	first 10,000	45p
	after that	25p
Motor cycle	all	24p
Cycle	all	20p

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