XXX XXX MP

House of Commons

Westminster

London

SW1A 0AA

XXXX 2018

Dear Mr/Ms XXX MP

I am writing to you on behalf of \*yourcompanyname\*, as an employer based in your constituency. We operate a company car scheme for our employers. However, we are increasingly concerned about the tax regime for such schemes, and would welcome your support in calling for the Government to act on this at the upcoming Budget.

Company car schemes make a huge contribution to our business, ensuring our employees and your constituents can work as productively as possible and be certain about using safe, reliable and environmentally friendly vehicles. Specifically, we are fearful of the long-term sustainability of company car schemes for three main reasons.

Firstly, we are concerned the current company car tax (CCT) regime is increasingly burdensome for employees. Our employees are facing a significant increase in tax for using a company car, many of whom are now considering alternative options. We are concerned the current regime is disincentivising employees from using a company car meaning the sustainability of this tax revenue – from the Treasury’s perspective - is under threat.

Fleets operated by employers such as ourselves are leading the way in the drive towards lower emissions. However, our ability to continue making this contribution is at real risk with more and more of our employees choosing to give up their company car in favour of a company provided ‘cash allowance’. The evidence suggests that these employers drive higher polluting vehicles.

Secondly, our employees are likely to face further tax increases. The Worldwide Harmonised Light vehicles Test Procedure (WLTP) – the new fuel consumption and emissions testing scheme – will be used for tax purposes from April 2020. However, an unintended tax increase has arisen from the transition to the WLTP owing to the new testing procedure producing higher CO₂ emissions figures – potentially up to 25% higher. This means the benefit-in-kind (BIK) tax company car drivers pay would increase significantly.

Thirdly, having clear visibility on CCT rates is essential for us, and for other small businesses and SME fleets as well.To manage the lifetime cost of our vehicles, we need at least five years visibility on future CCT rates. Currently, we do not know what the tax costs will be to our company car drivers beyond 2020-21, as these rates are yet to be published. It is critical that these rates are published at Budget 2018.

Separately, the current approach to Company Car Tax for electric vehicles is acting as a disincentive to drivers from adopting electric vehicles. Currently, tax thresholds are set to increase for the next two years, up to a rate of 16%, before finally falling to 2%. This is discouraging those considering the purchase of an electric vehicle. We would like to see the Government bring forward the planned lowering of Company Car Tax thresholds for electric vehicles to 2% from April 2020 to April 2019.

With the above in mind, we are therefore calling for your support in writing to the Chancellor ahead of the Budget urging him to act to ensure a fairer and more sustainable regime; one that is consistent, provides certainty for fleet operators, is well-signalled and is fully aligned with the Government’s wider policy priorities. I would be keen to meet you to discuss this further.

Yours sincerely,

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