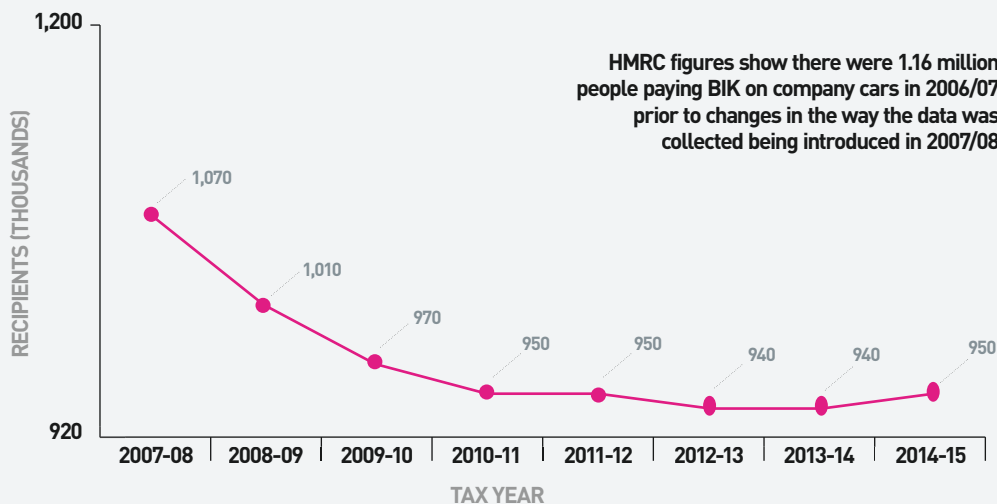


REVERSING TREND: NUMBERS PAYING COMPANY CAR TAX

Source: HMRC



HMRC figures show there were 1.16 million people paying BIK on company cars in 2006/07 prior to changes in the way the data was collected being introduced in 2007/08

allowances. "This definitely moved some companies to reintroduce company cars," he said.

"It's not possible to know how much each of these elements would have affected the overall number of company cars, but the small increase in the total company car parc is a welcome development."

The Society of Motor Manufacturers and Traders, reported around 1.4 million cars were registered to fleet and business in 2015.

With a typical annual new car market of 2m, fleet accounts for just over half, but of those 1m-plus new cars, around 220,000 go to Motability. A further 230,000 are daily rental, while captives account for around 70,000.

'True fleet' accounts for the rest, generally between 650,000 and 700,000. These are believed to be genuine, new company car registrations, although true fleet also

includes cars registered as courtesy cars to bodyshops – estimated at around 45,000 vehicles.

However, annual true fleet registrations of 600,000 would suggest a fleet of some 1.8m company cars based on a three-year cycle, or 2.4m cars on a four-year cycle.

Both are considerably higher than HMRC's figure of 950,000 company cars, which will be down to the remaining cars being used purely for business, with no private use, which would negate BIK payment.

Either way, it remains to be seen if the upward trend will continue in 2015/16, when the data is released by HMRC next year, and what effect, if any, Brexit will have.

Tourick concluded: "I suspect that the 2015/16 figures will show a similar small increase, but that the number will decline again in 2016/17 as part of the general fallout as a result of the Brexit referendum."

'FREE' FUEL RECIPIENTS FALL 42% IN PAST SEVEN YEARS

Rising fuel prices are likely to have been a key factor in the number of people receiving so-called 'free' fuel almost halving since 2007/08, says HMRC.

In 2007/08, 330,000 employees received the benefit, compared with 190,000 in 2014/15: a 42% fall.

HMRC says that the rising fuel prices probably caused employers and employees to look more carefully at whether the fuel benefit formula resulted in a tax charge commensurate with the true value of the benefit.

However, Alastair Kendrick, tax director at MacIntyre Hudson, said: "It appears whatever you do to try and change people's attitudes there will always be a hard core who will not change.

"We have seen many instances over the years when the tax an employee is paying on the fuel scale charge exceeds the actual amount it would cost the employee to purchase their

private fuel. But it is hard work to get people to give up this right and I suspect many of the remaining population are senior personnel for whom the free private fuel is simply part of their benefits package."

Despite the dramatic decline in the number of recipients of free fuel, HMRC figures show the tax take has not fallen at a similar rate. NICs paid for the benefit have fallen just £10 million over the same period, to £100m.

Meanwhile, the total amount of BIK paid for free fuel fell by £40m, from £290m in 2007/08 to £250m in 2014/15 – a 14% fall in tax take compared to the 42% drop in the number of recipients.

That can be explained, in part, by rising fuel prices. HMRC figures show that the average taxable value of 'free' fuel in 2007/08 was £2,670; in 2014/15 that had increased by 38.5% to £3,690.

The Government introduced the current CO2 emissions-based tax regime for free private fuel in April 2003, setting the fuel benefit charge multiplier at £14,400. As a result of a series of increases this now stands at £22,200.

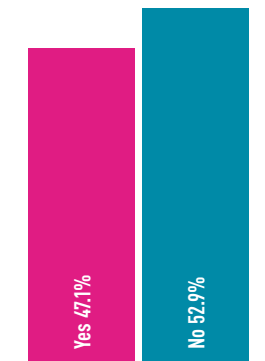
"In 1997, the then Chancellor Gordon Brown stated that he would like to tax free private fuel out of existence," said Jeff Whitcombe, tax specialist and director of business car consultancy BCF Wessex. "Nearly 20 years on 190,000 drivers still haven't got the message.

"If their justification is they're driving more than their breakeven mileage then their employers should consider how much the fuel costs, because as mileage increases the cost of the fuel rises; those employers would be well advised to buy out the benefit because they could literally save thousands of pounds, while maintaining value to employees."

FLEET FACTS AND FIGURES

OPINION POLL

Do you think changes announced to the driving test go far enough?



FleetNews view: The Driver and Vehicle Standards Agency (DVSA), has proposed increasing the 'independent driving' part of the test from 10 to 20 minutes. It will ask candidates to follow directions on a sat-nav and replace current manoeuvres with more real life scenarios. *Fleet News* welcomes any changes that ensure the test better assesses a driver's ability to drive safely.

This week's poll: Do you use the HMRC online service to check your company car tax is correct? fleetnews.co.uk/polls

MOST COMMENTED ONLINE



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UK AVERAGE FUEL PRICES
 Diesel (ppt) 111.31 ↓
 Unleaded (ppt) 110.89 ↓

fleetnews.co.uk/costs/fuel-cost-calculator