

# Pendragon Vehicle Management Tax Guide

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The team at Pendragon Vehicle Management have put together this comprehensive tax guide, pulling personal and corporate rates and information appropriate to business vehicle fleets, employers and drivers into one convenient document. We hope that you find this guide useful.

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# Benefit in Kind – Company Car Taxation Rates.

## CALCULATING BENEFIT-IN-KIND COMPANY CAR TAX

### STEP 1

- Taxable List Price  
Plus accessories  
Minus contributions  
by the employee.

### STEP 2

- Multiply by the Taxable Percentage of List Price, based on CO<sub>2</sub> emissions of the vehicle (See page 5). Adjust for any periods where the car is not available for private use.

### STEP 3

- Minus contributions made by the driver for the private use of the car.

Company cars are taxable benefits, in addition to an employee's or director's monthly salary.

Company car tax is known as **Benefit in Kind**. Every car has a **BIK tax banding** based on the vehicle's CO<sub>2</sub> emissions, and the amount of company car tax you will pay depends on the car's official list price and your annual salary.



CO <sub>2</sub> emissions (g/km)	Electric range (miles)	Taxable percentage of list price*			
		2017/2018	2018/2019	2019/2020	2020/2021
0	n/a	9	13	16	2
Jan-50	130+	9	13	16	2
Jan-50	70-129	9	13	16	5
Jan-50	40-69	9	13	16	8
Jan-50	30-39	9	13	16	12
Jan-50	0-30	9	13	16	14
51-54		13	16	19	15
55-59		13	16	19	16
60-64		13	16	19	17
65-69		13	16	19	18
70-74		13	16	19	19
75-79		17	19	22	20
80-84		17	19	22	21
85-89		17	19	22	22
90-94		17	19	22	23
95-99		18	20	23	24
100-104		19	21	24	25
105-109		20	22	25	26
110-114		21	23	26	27
115-119		22	24	27	28
120-124		23	25	28	29
125-129		24	26	29	30
130-134		25	27	30	31
135-139		26	28	31	32
140-144		27	29	32	33
145-149		28	30	33	34
150-154		29	31	34	35
155-159		30	32	35	36
160-164		31	33	36	37
165-169		32	34	37	37
170-174		33	35	37	37
175-179		34	36	37	37
180-184		35	37	37	37
185-189		36	37	37	37
190 or over		37	37	37	37

Emission figures for vehicles are rounded down

Diesel Supplements:\*  
add 3% subject to a maximum charge of 37%

# Benefit In Kind and LCVs.

Unlike a company car, LCVs (including Vans) are taxed depending on how you use the vehicle. You will pay no tax on the vehicle if you use it for work purposes and what's termed by HMRC as 'insignificant private use.' If the vehicle is used for 'private use', you will be required to pay BIK company van tax at a fixed rate of £3230.

## How to calculate company van tax

The company van tax amount is based on:

1. A set BIK rate of £3,230
2. Multiplied by your personal tax rate, according to your salary (basic rate of 20% or higher amount of 40%).

This will give you the figure for the year you will need to pay.

## Double cab and crew cab pick-up tax rules

For these vehicles the same company van tax rules apply, subject to additional guidelines. To be classified as an LCV, any vehicle that has more than one row of seats must also have a 1 tonne payload capability.

# Optional remuneration arrangements (OPRA).

Salary Sacrifice and Cash Allowance schemes are now termed as 'Optional Remuneration Arrangements' (OpRA) and are governed by the same legislation.

For vehicles ordered from the 6th April 2017, Drivers are due to pay the higher of either:

- The taxable value of the benefit (Benefit in Kind);
- Income tax on the amount of salary sacrificed on the finance rental of the vehicle, excluding maintenance and insurance, or cash allowance foregone.

The calculation for a car benefit charge due is as follows:

## Step 1

- a) Calculate company car Benefit in Kind as per the process listed on page 4
- b) Obtain annual cash alternative/ salary sacrificed value, making any deductions for trade downs.
- c) Compare **a** and **b** and select highest figure to move to step 2.

## Step 2

Take the higher of the figures from step 1, and deduct:

- a) Contributions made by the driver for the private use of the car; and
- b) Capital contributions by the employee multiplied by the appropriate Taxable Percentage of list price based on the CO<sub>2</sub> emissions used in the BIK table.

For vehicles ordered from the 6th April 2017, Employers are due to pay Class 1A National Insurance on the higher of either:

- The taxable value of the benefit (Benefit in Kind);
- Amount of salary sacrificed or cash allowance foregone.

# Optional remuneration arrangements (OPRA).

## **Exemption: Cars ordered on or before the April 5th 2017**

Cars ordered on or before the 5th April 2017 are exempt from the new legislation.

This means that the taxable value is based on the Benefit-in-Kind only and the salary sacrifice or cash allowance value is ignored.

This is under the provision that the arrangement does not change before the 6th April 2021 – for example, if the vehicle is changed during this period or a contract is renewed, the vehicle will be subject to the new legislation.

## **Exemption: Ultra Low Emission Vehicles (75g/KM CO<sub>2</sub> or below)**

ULEVs are exempt from the new legislation. This means that the taxable value is based on the Benefit-in-Kind only and the salary sacrifice or cash allowance value is ignored.



# Company Car Private Fuel.

A member of staff who is provided with a company car and also receives free fuel from his employer is taxed on the cash equivalent of the benefit each tax year.

The fuel benefit is a fixed figure of £22,600 for 2017/2018.

The fuel benefit charge is calculated by taking the appropriate Taxable Percentage of List Price, as worked out for car benefit purposes, and multiplying by the fixed figure.



# Capital Allowances.

Businesses are able to claim 100% first year allowances for cars with CO<sub>2</sub> emissions below a threshold, as specified in the accompanying table (excluding expenditure on vehicles for leasing). This allowance will be in place until 31 March 2018.

The **Annual Investment Allowance (AIA)** is a 100% writing-down allowance, which has a limit of £200,000. This can be used for purchase based funding types including Contract Purchase for vans but not cars.

From **23 November 2016** businesses acquiring new and unused electric charge-points will be eligible to claim a 100% first year allowance (FYA). This measure will expire on 31 March 2019 for companies, and 5 April 2019 for businesses subject to income tax.

Vehicle Type	CO <sub>2</sub> Emissions (g/km)	Writing-down allowance 2017/2018
Car	75 and below	100%
	76 and 130	18%
	131 and above	8%
Commercial	Any CO <sub>2</sub>	18%

# Vehicle Excise Duty.

Cars registered from 1 April 2017 and beyond are subject to new Vehicle Excise Duty (VED) rates following changes to the way the tax works.

Vehicles registered on or after 1 March 2001:

VED Band	CO <sub>2</sub> Emissions (g/km)	2017/18 Standard Rate (£)
A	Up to 100	0
B	101-110	20
C	111-120	30
D	121-130	115
E	131-140	135
F	141-150	150
G	151-165	190
H	166-175	220
I	176-185	240
J	186-200	280
K	201-225	305
L	226-255	520
M	Over 255	535

Vehicles registered on or after 1 April 2017.

The amount you pay for the first 12 months (first year rate) is based on CO<sub>2</sub> emissions:

CO <sub>2</sub> emissions (g/km)	First year rate		Standard Rate (£)	Premium Rate*
	Petrol and diesel cars (£)	Alternative fuel cars (£)		
0	0	0	0	310
1-50	10	0	140	450
51-75	25	15		
76-90	100	90		
91-100	120	110		
101-110	140	130		
111-130	160	150		
131-150	200	190		
151-170	500	490		
171-190	800	790		
191-225	1200	1190		
226-255	1700	1690		
Over 255	2000	1990		

\*Standard rate plus £310 premium for vehicle costing £40,000 or more, for the first 5 years in which the standard rate is paid.

# Mileage Rates.

Approved mileage rates for private cars and vans (pence per mile)		
Engine Size	Up to 10,000 miles	Excess over 10,000 miles
All cars and van	45p	25p

Company Car Advisory Rates (pence per mile)			
Engine Size	Petrol	Diesel	LPG
1400cc or less	11p	9p	7p
1401cc-1600cc	13p	9p	8p
1601cc-2000cc	13p	11p	8p
Over 2000cc	21p	11p	13p

Effective of 1st September 2017

The rates are reviewed four times a year and any changes will take effect on 1 March, 1 June, 1 September and 1 December.

# VAT Fuel Scale Charge.

If a business recovers VAT on road fuel, it will have to account for output VAT when a vehicle is put to private use. To simplify accounting for VAT on private use of fuel by car drivers, a business can choose to apply the VAT fuel scale charge. This adds back a fixed sum, per VAT period, to account for private consumption of fuel.

The scale charge is calculated according to a car's CO<sub>2</sub> emissions and the fixed charge is added to output VAT, on the VAT return.

Rates applicable from 1 May 2017

CO <sub>2</sub> emissions (g/km)	Fuel scale charge 12 month period (£)	CO <sub>2</sub> emissions (g/km)	Fuel scale charge 12 month period (£)
120 or less	563	175	1405
125	842	180	1464
130	901	185	1518
135	955	190	1577
140	1013	195	1631
145	1068	200	1689
150	1126	205	1743
155	1180	210	1802
160	1239	215	1856
165	1293	220	1914
170	1351	225 or more	1969

# Lease Rental Restriction.

Lease rentals are normally an allowable expense for businesses which can be deducted against their corporation or income tax charge.

From 1 April 2009 a percentage restriction applies to the finance element of the lease where CO<sub>2</sub> emissions exceed a g/km threshold, as specified below.

	Restriction	CO <sub>2</sub> threshold (g/km)
Cars delivered after 1 April 2009	15%	160
Cars delivered after 1 April 2013	15%	130
Cars delivered after 1 April 2018	15%	110

# Corporation Tax.

	2017/2018	2018/2019	2019/2020	2020/2021
Corporation Tax	19%	19%	19%	17%

# VAT.

	2017/2018
Value Added Tax (VAT)	20%

# Insurance Premium Tax.

	2016/2017	2017/2018
Standard Rate	9.5% 10% (from 1 October 2016)	10% 12% (from 1 June 2017)
Higher Rate	20%	20%

# Income Tax.

	2017/2018
Personal Allowance*	11,500

\* The personal allowance reduces where the individual's income is above £100,000 by £1 for every £2 of income above the limit.

Income tax bands	2017/2018 (£)
Basic rate (20%)	11,501-45,000
Higher rate (40%)	45,001-150,000
Additional rate (45%)	Over 150,000

\*Scottish Higher Rate Threshold is £31,500



# National Insurance Contributions.

National Insurance	2016/2017	2017/2018
Class 1 (Employment) Weekly earnings primary threshold	£155	£157
Weekly earnings secondary threshold	£156	£157
<b>Employee's rate</b>		
£155.01 - £827 per week Excess over £827	12% 2%	
£157.01 - £866 per week Excess over £866		12% 2%
<b>Employer's rate</b>		
Excess over £156 per week	13.8%	
Excess over £157 per week		13.8%

# Ultra Low Emission Vehicles.

Category	Definition	Grant	Maximum grant (£)
1	CO2 emissions <50g/km and a zero emission range of at least 70 miles.	35% of cost	4500
2	CO2 emissions <50g/km and a zero emission range of between 10 and 69 miles.	35% of cost	2500
3	CO2 emissions of 50-75g/km and a zero emission range of at least 20 miles.	35% of cost	2500
Motorbikes	CO2 emissions of 0g/km and a zero emission range of at least 31 miles.	20% of cost	1500
Mopeds	CO2 emissions of 0g/km and a zero emission range of at least 19 miles.	20% of cost	1500
Vans	CO2 emissions <75g/km and a zero emission range of at least 10 miles.	20% of cost	8000

The grant levels are based on the environmental performance of the vehicle, with ultra low emission vehicles placed into categories on the basis of their CO<sub>2</sub> emissions and their zero emission range.



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