Broadcast

FACTSHEET: TAX LIABILITY

SPECIAL ISSUE

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IS IT TIME TO CONSIDER GREENER MOTORING?

Government policy continues to push motorists towards greener options via a range of incentives.

The latest proposal is green number plates for electric cars, which would allow their drivers more advantages. In addition, the government carried out a review into the impact of new emissions tests and has announced reduced car benefit percentages for cars tested under the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) that have implications for company car tax.

New emissions tests

The WLTP will replace the New European Driving Cycle (NEDC) for cars registered from 6 April 2020. The WLTP is more accurate than the old test, so car manufacturers expect it to show higher vehicle CO_2 emissions.

Green benefit-in-kind rates

Following a review of the impact of the WLTP on company car tax generally, the government has confirmed that in 2020/21 for most company cars registered from 6 April 2020, the car benefit percentage rates will be two percentage points lower than the percentages for cars with the same CO_2 emissions tested under the NEDC.

Additionally, to accelerate the shift to zero emission cars, **all zero emission models, regardless of whether they are tested under the NEDC or the WLTP or when registered, will be subject to a 0% rate.** The rate for 2019/20 is 16%. **Drivers of fully electric cars will pay no company car tax in 2020/21.**
To encourage green motoring, the government will reduce the percentages which apply to lower emission cars, and new performance-related bands will apply to hybrid vehicles with emissions up to 50 g/km from April 2020, depending on how far the hybrid vehicle can travel under electric power.

Also, from **6th April 2020 there will be low tax charges for low emission cars that don't meet the 130-mile requirement**. For example, the taxable amount for a company car registered before 6th April 2020 with emissions of 50g/km or less which can travel between 70 and 129 miles on a single electrical charge will be 5% of the car's list price. The same rate of charge will apply where the employer meets the cost of any car fuel for private journeys. The rate of charge is applied to a fixed amount which is set by HMRC each year. For 2019/20 the amount is £24,100.

Example

Assuming the fixed amount continues for 2020/21 where the rate of charge for the car is say, 5%, the taxable amount for employer-paid-for fuel would be £1,205 (24,000 x 5%). A higher rate taxpayer would pay £482 (£1,205 x 40%) on this. Assuming a pump price of say, £1.32 per litre the employee would need to use 365 litres of fuel (£482/1.32) for private journeys before they were better off because their employer paid for the fuel rather than paying for it from their own pocket.

Company cars are generally taxed as a benefit-in-kind (BiK) by multiplying the list price of the car, including most accessories, by the 'appropriate percentage'. This percentage is set by reference to the car's fuel type and level of CO2emissions. For fully diesel cars, add a 4% supplement (unless the car meets the Euro 6d emissions standard).

Employees and directors pay tax on the provision of a company car, as well as on the provision of fuel for private mileage. Employers pay Class 1A national insurance contributions (NICs) at 13.8% on the same amount.

It may be advisable to bear these changes in mind when reviewing your car and business motoring policy.

We can review your business motoring requirements to help keep your tax liability to a minimum.

For more information contact us on **01753 888211** or email **info@nhllp.com**