

March Budget 2010

...and its impact on your fleet.

This year's Budget has built upon the announcements and environmental focus of last year's, as expected; with company car drivers continuing to be affected by reduced tax thresholds and the introduction of the 'showroom tax', both designed to encourage lower CO₂ emissions.



Vehicle Excise Duty (VED) increases.

As mentioned in the Pre-Budget report, from April 2010, the government is introducing the so-called 'showroom tax'. This means that the highest-emitting band M cars will pay £950 VED in the first year and £435 thereafter. On a positive

note, vehicles emitting up to 130g/km of CO₂ will pay nothing in the first year. From April 2010 vehicles emitting more than 150g/km CO₂ (Band G or above) will have to pay more in the first-year tax than they would have in 2009/10, while those emitting 131g/km to 150g/km CO₂ (Band E to F) will be either slightly better off or no worse off.

From April 2010, higher emitting cars that are already registered will be charged up to £30 more and lower emitting cars will be charged up to £30 less.

Alternative fuel cars will have a reduced tax rate of £10 for each band.

VED Band	CO ₂ (g/km)	2009-10* standard rate	2010-11 first-year rate	2010-11* standard rate
A	Up to 100	£0	£0	£0
B	101 - 110	£35	£0	£20
C	111 - 120	£35	£0	£30
D	121 - 130	£120	£0	£90
E	131 - 140	£120	£110	£110
F	141 - 150	£125	£125	£125
G	151 - 165	£150	£155	£155
H	166 - 175	£175	£250	£180
I	176 - 185	£175	£300	£200
J	186 - 200	£215	£425	£235
K**	201 - 225	£215	£550	£245
L	226 - 255	£405	£750	£425
M	Over 255	£405	£950	£435

*applies to cars registered on or after 1st March 2001.

**Band K includes cars that have a CO₂ figure over 225g/km but were registered before 23rd March 2006.

These changes in VED rates will impact on the whole life cost of running the vehicle, we can help you to understand how your current vehicle choice will affect the costs of running your fleet in the future and to assist you in making the right decisions.

Company car tax.

- Zero emission cars – the appropriate percentage will be set at 0% for the period 6th April 2010 to 5th April 2015.
- Ultra low emission cars (CO₂ emissions of 75g/km or less) – the appropriate percentage will be set at 5% for the period 6th April 2010 to 5th April 2015.

CO ₂ (g/km)	Taxable percentage of list price		
	2010/11	2011/12	2012/13
0	0%	0%	0%
1-75	5%	5%	5%
76-99	10%	10%	10%
100-104	10%	10%	11%
105-109	10%	10%	12%
110-114	10%	10%	13%
115-119	10%	10%	14%
120-124*	15%	15%	15%
125-129	15%	15%	16%
130-134	15%	16%	17%
135-139	16%	17%	18%
140-144	17%	18%	19%
145-149	18%	19%	20%
150-154	19%	20%	21%
155-159	20%	21%	22%
160-164	21%	22%	23%
165-169	22%	23%	24%
170-174	23%	24%	25%
175-179	24%	25%	26%
180-184	25%	26%	27%
185-189	26%	27%	28%
190-194	27%	28%	29%
195-199	28%	29%	30%
200-204	29%	30%	31%
205-209	30%	31%	32%
210-214	31%	32%	33%
215-219	32%	33%	34%
220-224	33%	34%	35%
225-229	34%	35%	35%
230-234	35%	35%	35%
235 or over	35%	35%	35%

*For vehicles with CO₂ emissions of 120g/km only, the relevant percentage is 10% for 2010/11 and 2011/12, rising to 15% for 2012/13.

The current 10% tax band only applies to cars which have emissions of 120g/km or less. This will be removed from April 2012.

From April 2012, the percentage of a vehicle's list price subject to tax will increase by 1 percentage point with every 5g/km increase in CO₂ emissions, starting from 100g/km to a maximum of 35%. The table shows how Benefit-In-Kind (BIK) CO₂ band will change over the coming years. Please also refer to notes 1 and 2.

Company car private fuel.

The fuel benefit charge multiplier for private fuel for company cars will rise from £16,900 to £18,000 from April 2010.

Van tax.

- The BIK charge where a van is used for private use (other than home to work travel), will remain at £3,000 in 2010/11.
- Where private fuel for the van is provided the fuel benefit charge is increased to £550 for 2010/11.
- For zero emission vans the benefit charge will be set at £0 for the period 6th April 2010 to 5th April 2015.

In the case of both cars and vans, zero emission means vehicles which are incapable of producing CO₂ emissions under any conditions when driven.

Notes

1. Diesels
The 3% diesel supplement to the percentage still applies but the percentage continues to be capped at 35%.
2. Hybrids
Discounts available for early uptake Euro 4-standard diesel cars, higher-emitting hybrid cars and alternative fuel company cars will be abolished from April 2011.

These changes are clearly designed to push companies into lower emitting vehicles as new technologies are available and many more cars are expected to fall within the lower category. So, these changes will continue to encourage manufacturers to produce low-emitting vehicles and drivers to choose them. With the 10% band being capped at 99g/km CO₂ from April 2012, drivers of cars with CO₂ emissions between 100g/km and 120g/km CO₂ will experience an increase in tax payable.

The increase in fuel scale charge to £18,000 is likely to erode any remaining benefit in receiving private fuel for the majority of company car drivers.

VAT fuel scale charge.

To reflect the changes in fuel prices, fuel scale charges have been changed. The change will affect any businesses which recover input tax on fuel used for private motoring. Businesses must use the new scale charges from the start of their next prescribed accounting period starting on or after 1st May 2010.

The table below shows the revised VAT inclusive scale charges.

CO ₂ (g/km)	12 month period
120 or less	£570
125	£850
130	£850
135	£910
140	£965
145	£1,020
150	£1,080
155	£1,135
160	£1,190
165	£1,250
170	£1,305
175	£1,360
180	£1,420
185	£1,475
190	£1,530
195	£1,590
200	£1,645
205	£1,705
210	£1,760
215	£1,815
220	£1,875
225	£1,930
230 or more	£1,985

Figures are inclusive of VAT.

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.

Mileage rates.

Approved mileage rates for private cars (pence per mile).

Engine size	Up to 10,000 miles	Excess over 10,000 miles
All cars	40p	25p

Company car advisory fuel rates effective 1st December 2009 (pence per mile).

Engine size	Petrol	Diesel	LPG
1,400cc or less	11p	11p	7p
1,401cc - 2,000cc	14p	11p	8p
Over 2,000cc	20p	14p	12p

The rates are reviewed twice annually on 1st June and 1st December. HM Revenue and Customs will consider changing the advisory fuel rates if fuel rates fluctuate by 5% from the published rate when each review is made and they consider the price change will be sustained.

Fuel duty escalator.

The increase in fuel duty will be implemented in stages by 1p/litre on 1st April 2010 and on 1st October 2010, and then by 0.76p/litre on 1st January 2011. This will ease pressure on business and household incomes at a time when other prices are rising. The duty rates for rebated oils will rise in proportion to each main fuel duty increase.

It was also announced that main fuel duty will increase by a further 1p/litre in real terms from April 2011 to April 2014.

Capital allowances.

The rate for writing down allowances for cars remains at 20% where the emissions are between 111g/km and 160g/km of CO₂, 10% where the emissions are above 160g/km of CO₂ and 100% where the emissions are 110g/km of CO₂ or less.

From April 2010, businesses will be able to claim 100% first year allowances for zero carbon goods vehicles. This allowance will be in place for 5 years.

Income tax and national insurance.

From April 2010 an additional higher rate of 50% income tax will apply to individuals with taxable income above £150,000.

From April 2011, both employee and employer national insurance contributions are planned to rise by 1%.



We're here to help...

The taxation of company cars continues to support the government objective of driving towards a low carbon economy. This has implications for car policy, fuel provision and choice of vehicle.

The Strategic Fleet Consultancy team can provide guidance on cost reduction and policy improvement initiatives designed to ensure that as the cost of motoring continues to rise, your provision of fleet is aligned to best practice and is fit for purpose.

If you have any questions about how any of these changes affect your fleet, please contact your Customer Relationship Manager or for a more detailed fleet review to identify cost saving opportunities, our Strategic Fleet Consultancy team is available to provide guidance on setting a fleet policy that works for you.

To find out more, contact our dedicated Strategic Fleet Consultancy team:

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