

## Fact Sheet

# Qualifying Low Emission Car (QUALEC).

From 6th April 2012 there will no longer be a Qualifying Low Emission Car (QUALEC) category.

This paper examines the effect this will have on company car costs for both employers and drivers.

### What is a QUALEC?

A QUALEC is a car first registered on or after 1st January 1998 with a CO<sub>2</sub> emissions figure which does not exceed a statutory limit for the tax year, currently 120 g/km.

For cars with a CO<sub>2</sub> that falls in this category the relevant percentage used for calculating the company car taxable benefit is 10% for 2011/12 with the exception of cars with a CO<sub>2</sub> of 75g/km or less. For these cars the relevant percentage is 5% and for cars which have zero emissions there is no charge. Surcharges for diesel cars apply to QUALEC's.

### What is changing?

From 6th April 2012, QUALEC will no longer exist as a category of car and the relevant percentage will be as per the table below.

The effect this will have is to increase the scale charge amount for any cars with CO<sub>2</sub> emissions between 100 g/km and 120 g/km.

From 2013/14 there will be a new band for cars emitting 95-99 g/km which will have a relevant percentage of 11%. Cars in bands with CO<sub>2</sub> greater than 99 g/km will also have a 1% increase in the relevant percentage up to the cap of 35%.

- From 2012/13 tax year the QUALEC category of car will no longer exist.
- Employers will see an increase in Class 1A NI costs on the scale charge of cars with CO<sub>2</sub> between 100 g/km and 120 g/km as a result of an increase in the relevant percentage used to calculate the scale charge.
- Drivers who have cars with CO<sub>2</sub> between 100 g/km and 120 g/km will suffer an increase in Benefit in Kind tax.
- The cost increases will apply to all cars on the road, not just cars ordered or delivered from the 2012/13 tax year.

CO <sub>2</sub> (g/km)	Taxable % of list price		
	2011/12	2012/13	Difference
0	0%	0%	-
1-75	5%	5%	-
76-99	10%	10%	-
100-104	10%	11%	1%
105-109	10%	12%	2%
110-114	10%	13%	3%
115-119	10%	14%	4%
120	10%	15%	5%
121-124	15%	15%	-

## What is the effect on the employer?

The employer will pay Class 1A National insurance on the scale charge of any car offered to an employee and made available for private use. The scale charge is calculated by multiplying the taxable list price of the car, plus the price of any options, less any capital contribution made by the driver by the appropriate percentage based on CO<sub>2</sub> g/km. Therefore any increase in the CO<sub>2</sub> relevant percentage used to calculate the scale charge will result in an increase in employers Class 1A NI cost.

The examples in the table here shows the potential annual increase in costs for employers on cars with CO<sub>2</sub> from 100 to 120 g/km.

	BMW 3 Series Diesel Saloon 318d Se 4dr	VW Passat Diesel Saloon 1.6 Tdi Bluemotion Tech Se 4dr	VW Golf Diesel Hatchback 1.6 Tdi 105 Match
Taxable list price	£26,929	£21,066	£19,816
Fuel type	Diesel	Diesel	Diesel
CO <sub>2</sub>	119	114	119
2011-12 %	13%	13%	13%
2011-12 Scale Charge	£3,501	£2,739	£2,576
Annual Employers NI cost	£483	£378	£355
2012-13 %	17%	16%	17%
2012-13 Scale Charge	£4,578	£3,371	£3,369
Annual Employers NI cost	£632	£465	£465
<b>Annual cost increase</b>	<b>£149</b>	<b>£87</b>	<b>£110</b>
<b>Annual cost increase for a fleet of:</b>			
- 50 cars	£7,450	£4,350	£5,500
- 250 cars	£37,250	£21,750	£27,500
- 500 cars	£74,500	£43,500	£55,000

## What is the effect on the employee?

The employee pays Benefit in Kind (BIK) tax on the scale charge of the car at their marginal rate of tax (MRT). Therefore any increase in the CO<sub>2</sub> relevant percentage used to calculate the scale charge will result in an increase in the amount of tax paid by the driver.

Using the cars in the examples above, the table here shows the annual effect of the changes in CO<sub>2</sub> relevant percentage on drivers with MRT of 20% and 40%.

	BMW 3 Series Diesel Saloon 318d Se 4dr	VW Passat Diesel Saloon 1.6 Tdi Bluemotion Tech Se 4dr	VW Golf Diesel Hatchback 1.6 Tdi 105 Match
CO <sub>2</sub>	119	114	119
2011-12 %	13%	13%	13%
2012-13 %	17%	16%	17%
<b>20% Taxpayer</b>			
2011-12 BIK (month)	£58	£46	£43
2012-13 BIK (month)	£76	£56	£56
<b>Annual Cost Increase</b>	<b>£216</b>	<b>£120</b>	<b>£156</b>
<b>40% Taxpayer</b>			
2011-12 BIK (month)	£117	£91	£86
2012-13 BIK (month)	£153	£112	£112
<b>Annual Cost Increase</b>	<b>£432</b>	<b>£252</b>	<b>£312</b>

## Summary.

For employers who run a fleet with a high number of cars with a CO<sub>2</sub> of sub 120 g/km, it's important to understand the effects of the CO<sub>2</sub> on the Class 1A NI cost for the term of the car. Currently, all cars with CO<sub>2</sub> between 100 g/km and 120 g/km will benefit from the QUALEC rate of 10% for petrol (13% for diesel), but from the 2012-13 tax year cars that fall in this bracket will attract a larger scale charge and associated Class 1A NI cost. In particular, cars that currently fall into the bands with 110 – 114 g/km CO<sub>2</sub> and 115 – 120 g/km CO<sub>2</sub> will be adversely affected.

In addition, where whole life cost benchmark entitlements, which includes employers NI, have been set using cars with sub 120 g/km CO<sub>2</sub>, it would be worth reviewing the effects of the 2012-13 change to allow for adjustments to be made to policy as appropriate.

For drivers who are looking to choose their car, it's recommended that they review the costs for the duration of the term. They will need to account for a rise in the BIK tax they will pay from 2012-13 if they choose a car with emissions between 100 and 120 g/km CO<sub>2</sub>. The tax calculator on the Lex Autolease website will provide three years of BIK calculations, also the online quoting functionality financials section gives full term details of costs for the driver to clearly see the effect of the changes.

Both the increase to employers NI and employees BIK will impact on all cars that are currently on order or already with a driver from the start of the 2012 tax year. It's important that fleets and drivers understand and plan for any likely cost increases.

For further information please contact your Relationship Manager or

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