



LEX AUTOLEASE

TAX GUIDE

2020/21



A summary of the key taxation facts

ABOUT US

The Chancellor delivered the Spring Budget Statement on 11 March 2020. The Lex Autolease Fleet Consultancy Team has analysed the contents and has summarised the implications for fleets and company motorists.

We have included the main personal and corporate tax rates in this interactive guide, we hope you find them useful.

Lex Autolease manages approximately 343,000* cars and vans on behalf of its customers and offers a full range of fleet funding options including Contract Hire, Contract Purchase and Finance Lease.

Lex Autolease Fleet Consultancy incorporates a specialist consultancy unit to help organisations gain greater value for their company vehicles. It specialises in conducting focused assessments of larger fleets to identify cost saving opportunities, performance improvement options and strategies for future car benefit and van provision.

Lex Autolease prides itself on bringing fresh ideas to organisations and helping them implement programmes to realise the benefits.

FOR MORE INFORMATION:

Email: fleetconsultancy@lexautolease.co.uk

Visit: www.lexautolease.co.uk

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The tax values shown are based on tax legislation and rates as well as published vehicle information applicable at the time of publication and may be subject to change.

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*Figure as at 2019 year end.

Lex Autolease Limited: Registered Office: 25 Gresham Street, London, EC2V 7HN.

Registered Number: 1090741 England and Wales.

COMPANY CAR TAXATION

Cars first registered before 6 April 2020

CO ₂ emissions (g/km)	Electric range (miles)	Percentage of Taxable list price*		
		2020/21	2021/22	2022/23
0	N/A	0	1	2
1 – 50	>130	2	2	2
1 – 50	70 – 129	5	5	5
1 – 50	40 – 69	8	8	8
1 – 50	30 – 39	12	12	12
1 – 50	<30	14	14	14
51 – 54		15	15	15
55 – 59		16	16	16
60 – 64		17	17	17
65 – 69		18	18	18
70 – 74		19	19	19
75 – 79		20	20	20
80 – 84		21	21	21
85 – 89		22	22	22
90 – 94		23	23	23
95 – 99		24	24	24
100 – 104		25	25	25
105 – 109		26	26	26

CO ₂ emissions (g/km)	Electric range (miles)	Percentage of Taxable list price*		
		2020/21	2021/22	2022/23
110 – 114		27	27	27
115 – 119		28	28	28
120 – 124		29	29	29
125 – 129		30	30	30
130 – 134		31	31	31
135 – 139		32	32	32
140 – 144		33	33	33
145 – 149		34	34	34
150 – 154		35	35	35
155 – 159		36	36	36
160 and above		37	37	37

Diesel supplements: * add 4% for all cars not meeting Real Driving Emissions 2 standard (RDE2) subject to a maximum charge of 37%.

New European Driving Cycle (NEDC) test procedure CO₂ values to be used for vehicles registered before 6 April 2020.

Cars that meet the RDE2 standard are exempt from the diesel supplement.

COMPANY CAR TAXATION

Cars first registered from 6 April 2020

CO ₂ emissions (g/km)	Electric range (miles)	Percentage of Taxable list price*				
		2020/21	2021/22	2022/23	2023/24	2024/25
0	N/A	0	1	2	2	2
1 – 50	>130	0	1	2	2	2
1 – 50	70 – 129	3	4	5	5	5
1 – 50	40 – 69	6	7	8	8	8
1 – 50	30 – 39	10	11	12	12	12
1 – 50	<30	12	13	14	14	14
51 – 54		13	14	15	15	15
55 – 59		14	15	16	16	16
60 – 64		15	16	17	17	17
65 – 69		16	17	18	18	18
70 – 74		17	18	19	19	19
75 – 79		18	19	20	20	20
80 – 84		19	20	21	21	21
85 – 89		20	21	22	22	22
90 – 94		21	22	23	23	23
95 – 99		22	23	24	24	24
100 – 104		23	24	25	25	25
105 – 109		24	25	26	26	26
110 – 114		25	26	27	27	27
115 – 119		26	27	28	28	28
120 – 124		27	28	29	29	29

CO ₂ emissions (g/km)	Electric range (miles)	Percentage of Taxable list price*				
		2020/21	2021/22	2022/23	2023/24	2024/25
125 – 129		28	29	30	30	30
130 – 134		29	30	31	31	31
135 – 139		30	31	32	32	32
140 – 144		31	32	33	33	33
145 – 149		32	33	34	34	34
150 – 154		33	34	35	35	35
155 – 159		34	35	36	36	36
160 – 164		35	36	37	37	37
165 – 169		36	37	37	37	37
170 and above		37	37	37	37	37

Diesel supplements: * add 4% for all cars not meeting Real Driving Emissions 2 standard (RDE2) subject to a maximum charge of 37%.

Cars that meet the RDE2 standard are exempt from the diesel supplement.

CAR BENEFIT CHARGE

Since 6 April 2017, the benefit in kind on salary sacrifice cars, as well as company car schemes where a cash alternative is available, is based on the higher of the earnings foregone or the company car benefit in kind.

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

Step 1

- a) Calculate company car benefit in kind – Taxable list price (plus the price of any accessories) and multiply by the appropriate percentage based on CO₂ emissions (used in the table). Adjust for any periods where the car is not available.
- b) Obtain annual earnings foregone*, making any deductions for trade downs.
- c) Compare a and b and select highest figure to move to step 2.

Step 2

Take the highest figure 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 percentage based on CO₂ emissions (used in the table).

Where a cash alternative is not available, perform all the above steps with the exception of Steps 1b and 1c.

* The amount of earnings foregone in a company car arrangement is the gross salary sacrifice value/cash alternative available for your grade.

COMPANY VAN TAXATION

Van benefit charges where a van is used for private use (other than some home to work travel).

Tax year	Scale charge
2019/20	£3,430*
2020/21	£3,490*

* An additional £655 and £666 charge for 2019/20 and 2020/21 respectively applies if private fuel is also provided.

From 6 April 2020, the Van Benefit Charge (VBC) for zero-emission vans (electric vans) will be 80% of the charge for conventionally fuelled vans. From 6 April 2021 the van benefit charge for zero emitting vans will be £0.

ULTRA LOW EMISSION VEHICLES

The grants, which apply for new vehicles until 5 April 2023, focus on the cleanest vehicles and are as follows:

Category	Definition	Grant	Maximum grant
Car (Previously category 1)*	CO ₂ emissions <50g/km and a zero emission range of at least 70 miles	35% of cost	£3,000
Vans	CO ₂ emissions <75g/km and a zero emission range of at least 10 miles	20% of cost	£8,000

* Excludes cars costing £50,000 or more. Additional information on this matter can be found on the UK Government's website at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/768517/plug-in-portal-dft-guidance.pdf

COMPANY CAR PRIVATE FUEL

The Fuel Benefit Charge (FBC) multiplier for private fuel provided for company cars is £24,100 and £24,500 for 2019/20 and 2020/21 respectively.

The Fuel Benefit Charge is calculated by applying the appropriate percentage, as per the calculation for the company car benefit charge, to the FBC.

The fuel benefit multiplier will continue to increase by Retail Price Index for cars.

Electricity is not considered to be a fuel for car fuel benefit purposes.

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 vans	45p	25p

Company car advisory fuel rates (pence per mile^{††})

Engine size	Petrol – amount per mile	Diesel – amount per mile	LPG – amount per mile
1,400cc or less	12p	9p	8p
1,401cc to 1,600cc	14p	9p	10p
1,601cc to 2,000cc	14p	11p	10p
Over 2,000cc	20p	13p	14p

†† Effective 1 March 2020

The rates are reviewed four times a year. Any changes will take effect at the beginning of each calendar quarter on 1 March, 1 June, 1 September and 1 December. These will be published on the HM Revenue & Customs (HMRC) website shortly before the date of change.

Hybrid cars are treated as either petrol or diesel cars for this purpose.

The Advisory Electricity Rate for fully electric cars is 4 pence per mile.

CAPITAL ALLOWANCES

Vehicle type	CO ₂ emissions (g/km)	Writing-down allowance 2020/21	Writing-down allowance 2021/22
Car	0	100%	100%
	1 – 50	100%	18%
	51 – 110	18%	6%
	111 and above	6%	6%
Commercial	Any CO ₂	18%	18%

Businesses are able to claim 100% first year allowances for cars with CO₂ emissions below a threshold, as specified above (excluding expenditure on vehicles for leasing). This allowance will be in place until 31 March 2021.

The Annual Investment Allowance (AIA) is a 100% writing down allowance, whose limit is £1million from 1 January 2019 until 31 December 2020. The AIA before and after those dates will be £200,000. This can be used for purchase based funding types including Contract Purchase for vans but not cars.

Businesses acquiring new and unused electric charge-points are eligible to claim a 100% first year allowance (FYA). This measure will expire on 31 March 2023 for companies, and 5 April 2023 for businesses subject to income tax.

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 2018 a 15% restriction applies to the finance element of the lease where CO₂ emissions exceed a threshold of 110g/km. From 1 April 2021, the threshold will be 50g/km.

[†] This replaced expensive car lease disallowance.

CORPORATION TAX

Corporation tax	2019/2020	2020/2021	2021/2022
Main Rate	19%	19%	19%

VEHICLE EXCISE DUTY (VED)

Cars registered on or after 1 March 2001 but before 1 April 2017:

VED band	CO ₂ emissions (g/km)	2019/20	2020/21
		Standard rate	Standard rate
A	Up to 100	£0	£0
B	101 – 110	£20	£20
C	111 – 120	£30	£30
D	121 – 130	£125	£130
E	131 – 140	£145	£150
F	141 – 150	£160	£165
G	151 – 165	£200	£205
H	166 – 175	£235	£240
I	176 – 185	£260	£265
J	186 – 200	£300	£305
K	201 – 225	£325	£330
L	226 – 255	£555	£565
M	Over 255	£570	£580

VEHICLE EXCISE DUTY (VED)

Cars registered on or after 1 April 2017. The amount you pay for the first 12 months (First year rate) is based on CO₂ emissions:

CO ₂ emissions (g/km)	Tax year 2019-20		Tax year 2020-21	
	First Year Rate	Standard Rate*	First Year Rate	Standard Rate*
0	£0	£0	0	0
1 – 50	£10	£145	£10	£150
51 – 75	£25	£145	£25	£150
76 – 90	£110	£145	£110	£150
91 – 100	£130	£145	£135	£150
101 – 110	£150	£145	£155	£150
111 – 130	£170	£145	£175	£150
131 – 150	£210	£145	£215	£150
151 – 170	£530	£145	£540	£150
171 – 190	£855	£145	£870	£150
191 – 225	£1,280	£145	£1,305	£150
226 – 255	£1,815	£145	£1,850	£150
Over 255	£2,135	£145	£2,175	£150

Includes cars emitting over 225g/km registered before 23 March 2006.

Cars, with the exception of zero emission vehicles registered before 31 March 2025, with a list price of over £40,000 when new pay an additional rate of £320 per year, and £325 in 2019/20 and 2020/21 respectively, on top of the standard rate, for five years.

European Driving Cycle (NEDC) test procedure CO₂ values to be used until April 2020.

New diesel vehicles registered on or after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard will be charged a supplement on their First Year Rate to the effect of moving up by one VED band.

*Alternatively fuelled vehicles, including hybrids, bioethanol and liquid petroleum gas, get a £10 reduction to the Standard rate.

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	Tax year 2019-2020	Tax year 2020-2021
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£260	£265

VALUE ADDED TAX (VAT)

Value Added Tax (VAT)	2019/20	2020/21
Standard rate	20%	20%

INSURANCE PREMIUM TAX

	2019/2020	2020/2021
Standard rate	12%	12%
Higher rate	20%	20%

INTEREST FREE LOANS

The threshold for interest free loans provided by employers to employees is £10,000. The current official rate of interest is 2.5%. The official rate of interest is used in calculating the benefit in kind charge on beneficial loans to employees.

INCOME TAX

	2019/2020	2020/2021
Personal Allowance^{†††}	£12,500	£12,500

††† The personal allowance reduces where the individual's income is above £100,000 by £1 for every £2 of income above the limit. This reduction applies irrespective of age.

Income tax bands	2019/2020	2020/2021
Basic rate in rest of UK (20%)	Up to £37,500	Up to £37,500
Higher rate in rest of UK (40%)	£37,501 to £150,000	£37,501 to £150,000
Rest of UK Additional rate (45%)	Over £150,000	Over £150,000

Income Tax rates and thresholds in Scotland and Wales may vary to those in the rest of the UK, for further information visit the Scottish and Welsh Government websites respectively on www.gov.uk/scottish-income-tax and <https://gov.wales/welsh-rates-income-tax> for current rates.

NATIONAL INSURANCE CONTRIBUTIONS

National Insurance	2019/2020	2020/2021
Class 1 (employment) Weekly earnings primary threshold	£166	£183
Weekly earnings secondary threshold	£166	£169
Weekly Upper Earnings Limits (UEL)	£962	£962
Employee's rate		
£166.01 – £962 p/w	12%	
£183.01 – £962 p/w		12%
excess over £962 p/w	2%	2%
Employer's rate		
excess over £166 p/w	13.8%	
excess over £319 p/w		13.8%

VAT FUEL SCALE CHARGE

Where employers provide free private fuel for an employee's company car, and recover input VAT on the purchase of the fuel including the private element, the employer is required to pay output VAT using the scale charges, as set out on the right.

The European Commission has recently confirmed that the UK can continue to use the fuel scale charge until at least 31 December 2020.

Rates applicable from 1 May 2019 until 30 April 2020:

CO ₂ emissions (g/km)	Fuel scale charge 12 month period	CO ₂ emissions (g/km)	Fuel scale charge 12 month period
120 or less	£592	175	£1,478
125	£886	180	£1,540
130	£947	185	£1,597
135	£1,004	190	£1,658
140	£1,066	195	£1,715
145	£1,123	200	£1,777
150	£1,184	205	£1,834
155	£1,241	210	£1,895
160	£1,303	215	£1,952
165	£1,360	220	£2,014
170	£1,421	225 or more	£2,071