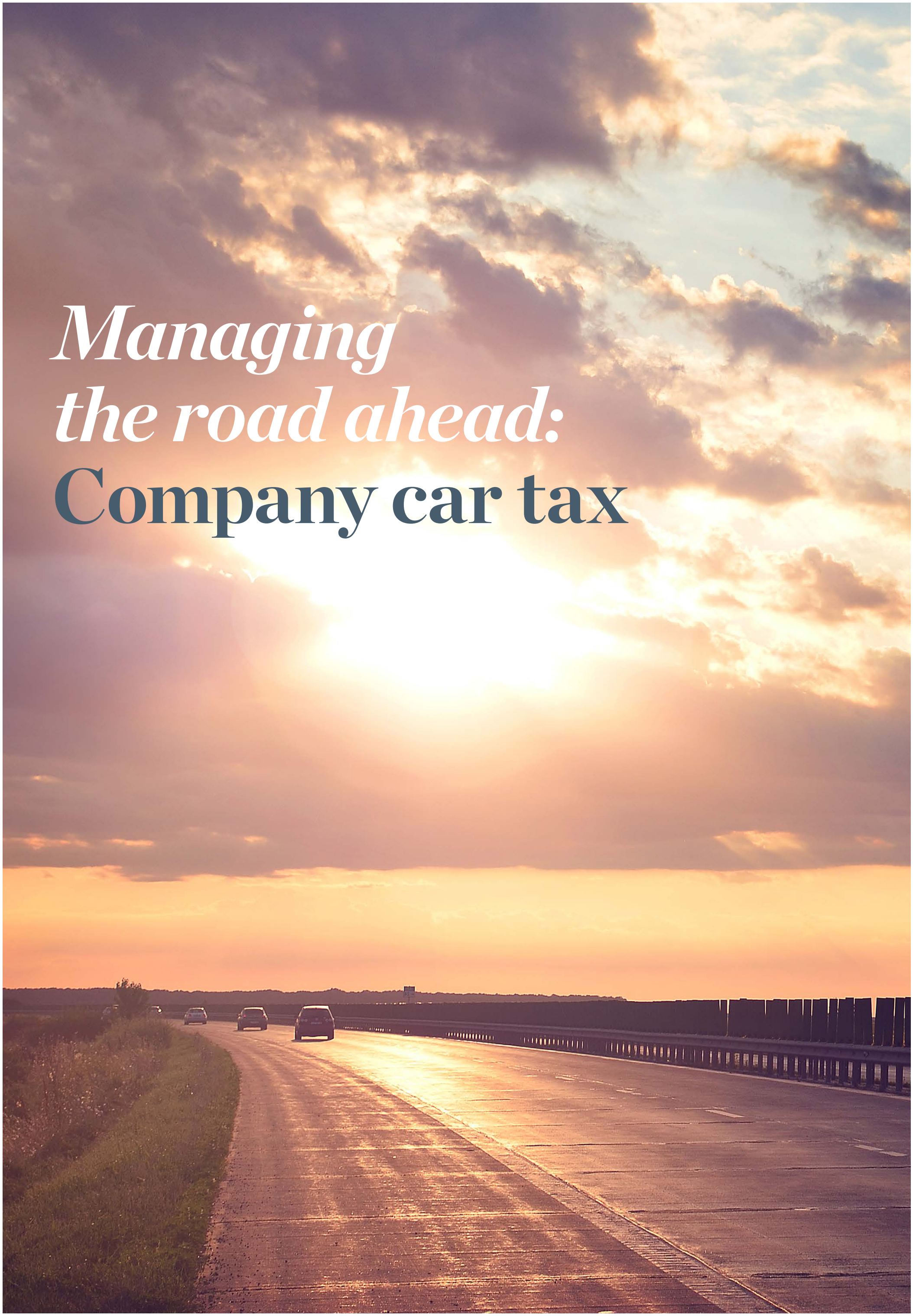


Managing the road ahead: Company car tax

Introduction

Fleets have been treading water for more than two years as they waited for the Government to announce changes to company car benefit-in-kind tax rates effective from April 6, 2020.

The Government has now confirmed its approach to company car benefit-in-kind tax for the three-years ending 2022/23 and there is a clear incentive for fleets and company car drivers to 'plug-in'.

Whether choosing a 100% electric car or a plug-in hybrid petrol or diesel electric car with carbon dioxide (CO2) emissions of 50g/km or below there are significant benefit-in-kind tax advantages designed to support the Government's pursuit of its 'Road to Zero Strategy'.

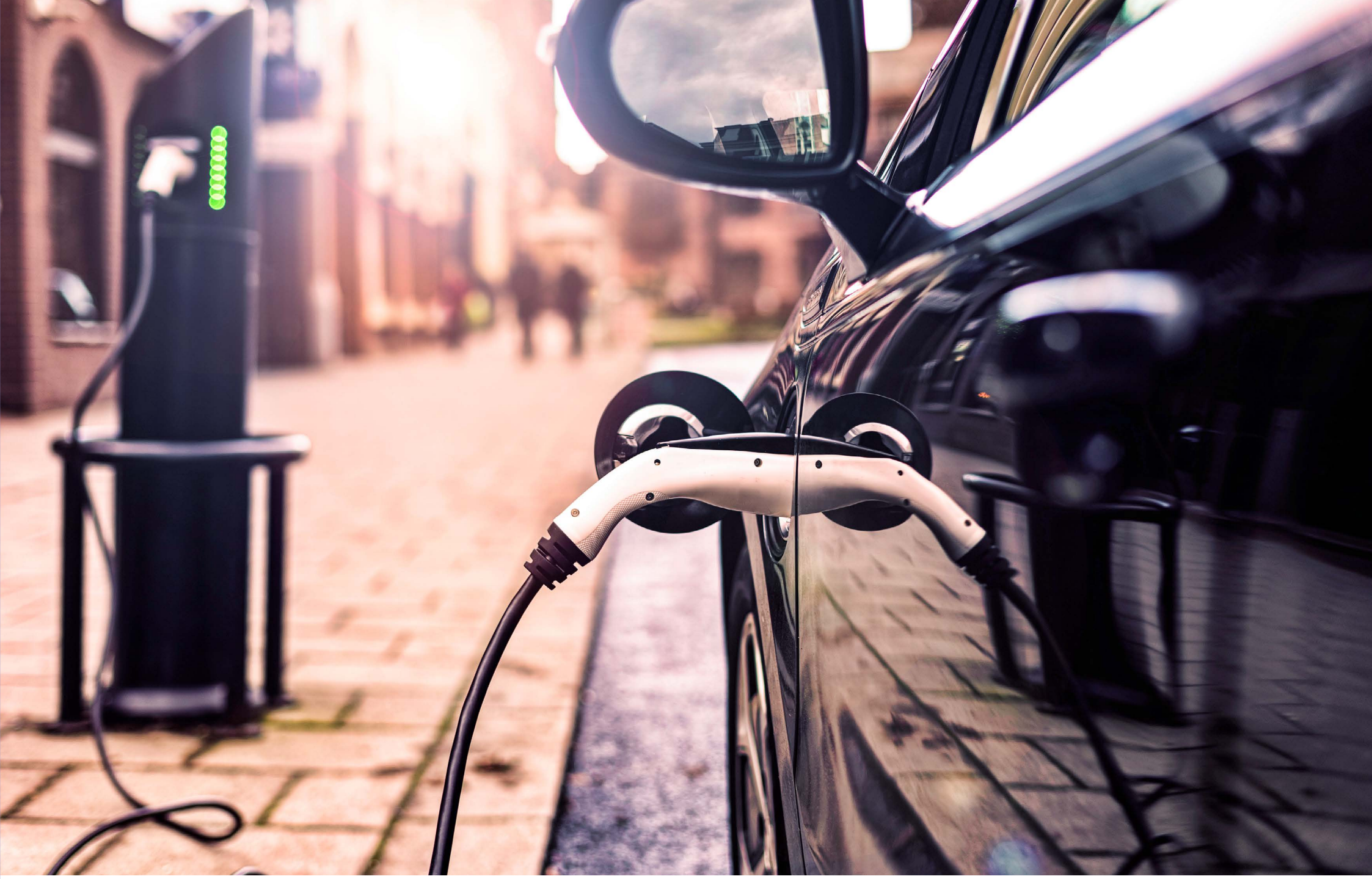
Published last year, the Strategy set 2040 as the phase out deadline for the sale of new petrol and diesel cars and vans on the road to a Government target of achieving net-zero greenhouse gas emissions by 2050.

However, the Government's advisory Committee on Climate Change said in a recent new report that ministers' emission reduction strategy was "off-track" across key areas, including transport, with reductions of CO2 emissions of new vehicles falling well short of expectations.

Consequently the Government's ambition to reach its target of net-zero greenhouse gas emissions by 2050 "must progress with far greater urgency".

Central to achieving that target, said the Committee, was to end the sale of new petrol and diesel cars and vans before the 2040 date and bring it forward to 2030 or 2035 at the very latest, which, if the former, is in many cases, just two fleet vehicle replacement cycles away.

venson



While, company car benefit-in-kind tax rates for 2023/24 and beyond are not yet known – and perhaps will not be until Budget 2020 meaning that fleet operator and company car drivers are making vehicle acquisition decisions in the dark as to what the future tax burden will be – ***the road ahead is clear: it is electric.***

However, the tax regime appears to be running ahead of motor manufacturer product availability with plug-in vehicle choice presently limited and lengthy order lead times an issue in many cases.

Nevertheless, manufacturers are rapidly ramping up model choice and as factories' production transitions increasingly to plug-in vehicles, model availability should also improve.

As a result, it is crucial for fleet decision-makers to analyse individual vehicle and driver usage and journey profiles and explore the potential for installing electric vehicle charging points at offices and factories – as well as employees' investigating home charging point installation – to embrace the 'plug-in' vehicle revolution.

Fleet and employees who find themselves unable to embrace the revolution – at least at the moment – should seek to operate the lowest possible petrol and diesel emission alternatives – or find alternative ways of travel with the advent of Business Mobility-as-a-Service (BMaaS) – to mitigate the future company car benefit-in-kind tax burden.

As explained below, for the two financial years starting April 6, 2020 company car benefit-in-kind tax rates for all except 100% zero emission models will vary depending if models have been registered before or after that date. If cars are registered on or after April 6 next year there will, in the main, be a reduction in tax thresholds.

However, while the Government has reduced the tax band thresholds that does not necessarily mean that the company car benefit-in-kind tax burden will also fall, particularly for petrol and diesel-engined models, as is explained below.

That gives rise to the importance of examining what the tax burden will be in conjunction with vehicle replacement cycles. Many fleet decision-makers have already extended company car replacement beyond the scheduled date giving the wait for benefit-in-kind tax clarity as the reason and extending to April 6, 2020 may or may not deliver a tax advantage depending on the vehicle choice made.

However, extending does give time in the months leading up to April 6, 2020 for plug-in vehicle availability to increase as motor manufacturers launch new models.

An additional consideration is that for high mileage company car drivers the requirement for a diesel vehicle is likely to remain. As previously announced by the Government, diesel cars that meet the Real Driving Emission Step2 (RDE2) standard are exempt from the four percentage point tax supplement applied to non-compliant models.

As with plug-in vehicles, availability of RDE2-compliant diesel cars remains extremely limited. However, it can be expected that will similarly free-up in the coming months.

Ultimately, operators are likely to arrive at a decision – in conjunction with their company car drivers – that means a 'blended' mix of powertrains being in use across a fleet:

- **Diesel for high-mileage motorway employees and where a large number of journeys are made in non-urban environments**
- **Petrol where a mix of motorway and urban driving prevails**
- **For staff focused on largely urban driving, plug-in hybrids, pure electric and range-extended electric vehicles are likely to prove to be the optimum fuel choice with hybrids proving to be a halfway house.**

The other key consideration is how those cars will be sourced and funded – traditional company car, cash for car, salary sacrifice or structured Employee Car Ownership (ECO) scheme – amid HM Revenue and Customs keeping a tight watch. Additionally, this report highlights continuing operational concerns around 'grey fleet' – employees who drive their own cars on business journeys – and the growing influence of BMaaS.

Company car benefit-in-kind tax: ***The rules from April 6, 2020***

Company car benefit-in-kind tax has been linked to a car's P11D value (list price minus Vehicle Excise Duty and First Registration Fee) and CO2 emissions since 2002/3 when it replaced a mileage-based regime.

Graduated according to the level of a car's CO2 emissions measured in grams per kilometre, rates have tightened over time to meet the Government's aim of increasing the take-up of ever-lower emission cars.

Simultaneously, it has penalised diesel company cars with an initial three percentage point supplement that from April 6, 2018 increased to four percentage points for all models not certified to the RDE2 standard.

In July 2019, the Government – after a lengthy review – finally announced company car benefit-in-kind tax rates for the three years starting 2020/21 based on CO2 data resulting from the new Worldwide harmonised Light vehicles Test Procedure (WLTP) emission and fuel economy testing regime.

Previously published motor manufacturer emission figures highlighted that WLTP values would be higher than those obtained under the outdated New European Driving Cycle (NEDC) regime. As a result the review was ordered by ministers in an attempt to minimise the tax burden of the new testing regime.

Review respondents provided data showing increases in CO2 values ranging from 7% to 40% as a consequence of testing under WLTP rules. On average, WLTP results were about 20%-25% higher than NEDC figures with cars with smaller engines, and lower emissions, impacted the most and diesel cars slightly more than petrol models.

However, the Government said that "significant evidence was not provided" during its review to **"suggest that WLTP would cause individuals to opt-out of company cars".**

The result of the Government review is that for 2020/21 and 2021/22 two company car benefit-in-kind tax regimes will operate side-by-side – one applying to cars registered before April 6, 2020 and one after that date – before realigning in 2022/23 (see page 6).

Unfortunately company car benefit-in-kind tax rates for 2023/24 and beyond have not been published – they are likely to be the subject of a Budget announcement in November 2020. What that means is that company car drivers will be selecting their new company cars when in the dark about what their tax bills will be in the second half of the replacement cycle with operating periods typically being four years or even into a fifth year.

What's more, the two-tier company car benefit-in-kind tax regime operating until the end of 2022/23 adds some complexity for both fleet operators and company car drivers, who will need to understand the operational impact with vehicle replacement scheduling crucial particularly over the remainder of 2019/20.

Simultaneously, the Government has tried to encourage the uptake of environmentally-friendly plug-in vehicles – both zero emission and electric petrol and diesel.

However, what is now in existence is a company car benefit-in-kind tax system that, at least in the immediate short-term delivers a number of idiosyncrasies that both fleet managers and company car drivers must understand.

Nevertheless, what is clear is that – even though company car benefit-in-kind tax rates for 2023/24 and beyond have not been published – the lower a car's CO2 figure the lower the tax burden. That also applies to both employer Class 1A National Insurance contributions and the Car Fuel Benefit charge, the cost of which are both linked to a model's CO2 figure.

First of all, as the company car benefit-in-kind tax tables (see page 6) highlight, there is the potential for businesses and drivers to save money – depending on vehicle choice – by delaying vehicle replacement until post-April 6, 2020.

That's because 2019/20 company car benefit-in-kind tax rates will rise one percentage point in 2020/21 as previously announced before – for models first registered before April 6, 2020 – being frozen in 2021/22 and 2022/23. But, to accelerate the shift to zero emission cars, all zero emission models are to be 0% rated in 2020/21 – slashed from 16% in 2019/20 – before rising to 1% in 2021/22 and 2% in 2022/23.

Meanwhile, for cars first registered from April 6, 2020, most company car tax rates will be reduced by two percentage points in 2020/21 compared to those registered before April 6, 2020 before returning to planned rates over the following two years – increasing by one percentage point in 2021/22 and a further one percentage point in 2022/23.

Notwithstanding, the initial reduction in company car benefit-in-kind tax rates on cars first registered from April 6, 2020, the impact of an increase in CO2 emissions as a consequence of WLTP testing is that many employees will see a potentially significant increase in their tax bills – unless they go down the plug-in route. But that may not be an option for all.

Essentially, it is critical to remember that the vast majority of employees due to replace their company car after April 6, 2020 on a like-for-like basis – and that essentially means choosing a petrol or diesel model – will see a rise in the benefit-in-kind tax burden. That is because the Government's realignment of CO2 tax band thresholds is not enough to wipe out, in most cases, the increase in a vehicle's CO2 emissions figures as determined under WLTP regulations.

Since September 2018 all new cars have had to be tested under WLTP rules. However, in the current interim period – until April 2020 – CO2 emission figures using a European Commission-developed mathematical tool – known as Co2mpas – have been converted back to a comparable NEDC value. It is known as an NEDC-correlated or converted figure.

As a result, despite making enquiries while writing this paper, many motor manufacturers were unable to provide WLTP-derived CO2 emission figures even though the UK Government ordered that they should change over to new WLTP fuel consumption figures in their promotional material and advertising for all vehicles from January 1, 2019 (see page 13).

Company car benefit-in-kind tax rates for cars first registered before April 6, 2020

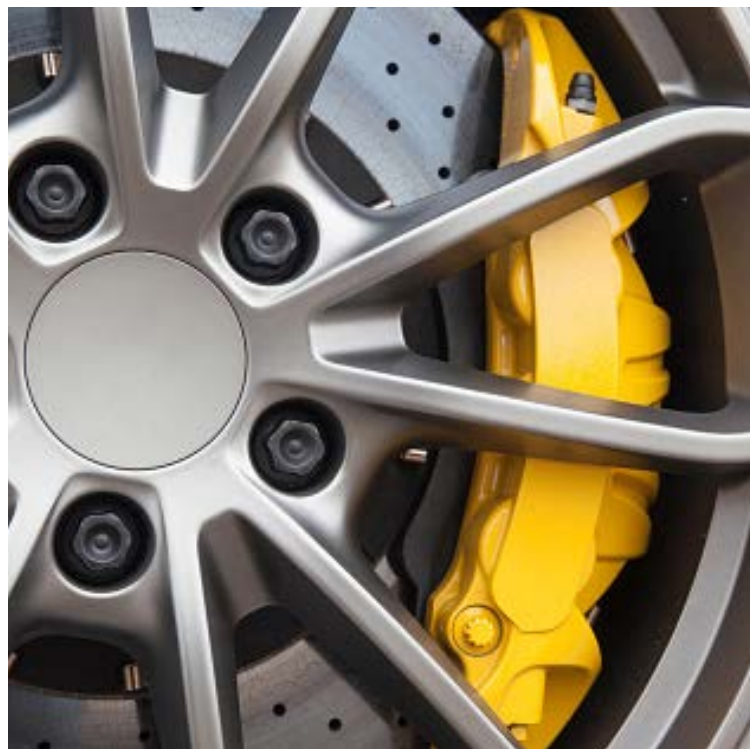
% of P11D price	2019/20 CO2 g/km	2020/21 CO2 g/km/(electric mileage range)	2021/22 CO2 g/km/(electric mileage range)	2022/23 CO2 g/km/ (electric mileage range)
0	N/A	0	N/A	N/A
1	N/A	N/A	0	N/A
2	N/A	1-50 (up to 130 miles	1-50 (up to 130 miles	0-50 (up to 130 miles
5	N/A	1-50 (70-129 miles)	1-50 (70-129 miles)	1-50 (70-129 miles)
8	N/A	1-50 (40-69 miles)	1-50 (40-69 miles)	1-50 (40-69 miles)
12	N/A	1-50 (30-39 miles)	1-50 (30-39 miles)	1-50 (30-39 miles)
14	N/A	1-50 (under 30 miles)	1-50 (under 30 miles)	1-50 (under 30 miles)
15	N/A	51-54	51-54	51-54
16	0-50	55-59	55-59	55-59
17	N/A	60-64	60-64	60-64
18	N/A	65-69	65-69	65-69
19	51-75	70-74	70-74	70-74
20	N/A	75-79	75-79	75-79
21	N/A	80-84	80-84	80-84
22	76-94	85-89	85-89	85-89
23	95-99	90-94	90-94	90-94
24	100-104	95-99	95-99	95-99
25	105-109	100-104	100-104	100-104
26	110-114	105-109	105-109	105-109
27	115-119	110-114	110-114	110-114
28	120-124	115-119	115-119	115-119
29	125-129	120-124	120-124	120-124
30	130-134	125-129	125-129	125-129
31	135-139	130-134	130-134	130-134
32	140-144	135-139	135-139	135-139
33	145-149	140-144	140-144	140-144
34	150-154	145-149	145-149	145-149
35	155-159	150-154	150-154	150-154
36	160-164	155-159	155-159	155-159
37	165+	160+	160+	160+

- For each tax year add 4% for diesel cars up to a maximum of 37%. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt.

Company car benefit-in-kind tax rates for cars first registered before April 6, 2020

% of P11D price	2020/21 CO2 g/km/(electric mileage range)	2021/22 CO2 g/km/(electric mileage range)	2022/23 CO2 g/km/(electric mileage range)
0	0-50 (up to 130 miles	N/A	N/A
1	N/A	0-50 (up to 130 miles	N/A
2	N/A	N/A	0-50 (up to 130 miles
3	1-50 (70-129 miles)	N/A	N/A
4	N/A	1-50 (70-129 miles)	N/A
5	N/A	N/A	1-50 (70-129 miles)
6	1-50 (40-69 miles)	N/A	N/A
7	N/A	1-50 (40-69 miles)	N/A
8	N/A	N/A	1-50 (40-69 miles)
10	1-50 (30-39 miles)	N/A	N/A
11	N/A	1-50 (30-39 miles)	N/A
12	1-50 (under 30 miles)	N/A	1-50 (30-39 miles)
13	51-54	1-50 (under 30 miles)	N/A
14	55-59	51-54	1-50 (under 30 miles)
15	60-64	55-59	51-54
16	65-69	60-64	55-59
17	70-74	65-69	60-64
18	75-79	70-74	65-69
19	80-84	75-79	70-74
20	85-89	80-84	75-79
21	90-94	85-89	80-84
22	95-99	90-94	85-89
23	100-104	95-99	90-94
24	105-109	100-104	95-99
25	110-114	105-109	100-104
26	115-119	110-114	105-109
27	120-124	115-119	110-114
28	125-129	120-124	115-119
29	130-134	125-129	120-124
30	135-139	130-134	125-129
31	140-144	135-139	130-134
32	145-149	140-144	135-139
33	150-154	145-149	140-144
34	155-159	150-154	145-149
35	160-164	155-159	150-154
36	165-169	160-164	155-159
37	170+	165+	160+

- For each tax year add 4% for diesel cars up to a maximum of 37%. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt.



The impact of OPTIONAL EXTRAS

A major change with the switch to emission and fuel economy testing under WLTP protocols from the outdated NEDC regime is that cars are tested with optional equipment fitted.

The previous NEDC testing regime did not take account of extras fitted to vehicles in the calculation of CO2 emission and MPG figures – only wheel size, number of seats and transmission type were accounted for.

Currently the use of so-called NEDC-correlated CO2 emission figures – an interim arrangement – strip out the impact of optional equipment. Nevertheless, with the April 2020 switch to a company car benefit-in-kind tax regime based wholly on WLTP test results optional equipment will be accounted for in published CO2 emission and MPG figures.

In turn that could have a marked impact on published CO2 figures as many manufacturers developed sophisticated methods in order to optimise NEDC test results. As a result, cars that were previously tested with limited equipment fitted as standard are likely to see sharp rises in their CO2 emission.

Premium brands have historically had substantially higher optional content than the volume manufacturers, which could mean a greater difference in CO2 emission figures in the switch from NEDC to WLTP testing.

Multi-zone air conditioning, larger wheels, electric seats, leather upholstery, alloy wheels, sport suspension, audio systems and sunroofs, all impact on a car's rolling resistance, weight and aerodynamics and thus will impact on a model's WLTP CO2 emission performance.

Ultimately, those cars that have both been tested with limited standard equipment and have been optimised for the NEDC test will see the greatest difference in their CO2 emission and fuel consumption figures under WLTP testing. Consequently, it may mean that the fitting of optional equipment pushes vehicles into tax brackets several bands higher.

The British Vehicle Rental and Leasing Association (BVRLA), of which Venson Automotive Solutions is a member, has previously said: **"Whilst optional extras do have an impact on CO2 today, it is likely that this could be more significant under WLTP testing and therefore increase the cost and tax implications."**

Consequently, company car drivers may look to save on benefit-in-kind tax by choosing lower option vehicles.

However, even with just months to go before the April 2020 introduction of WLTP CO2 figures for company car benefit-in-kind tax – as well as Vehicle Excise Duty – motor manufacturers generally are still planning their strategies as to how to potentially overcome the optional extras issue.

For example, WLTP testing does not take account of dealer-fit accessories. As a result, there has been speculation that manufacturers may increasingly move to dealer-fit only options – especially those which are easy to retrofit such as tow bars.

Meanwhile, some motor manufacturers continue to develop 'individual CO2 value per vehicle' tools integrated into online car configurators aimed at giving users transparency as they add options to their base vehicle of choice. Depending on each option chosen and its impact on emissions the CO2 figure for the applicable car will change immediately in real-time.

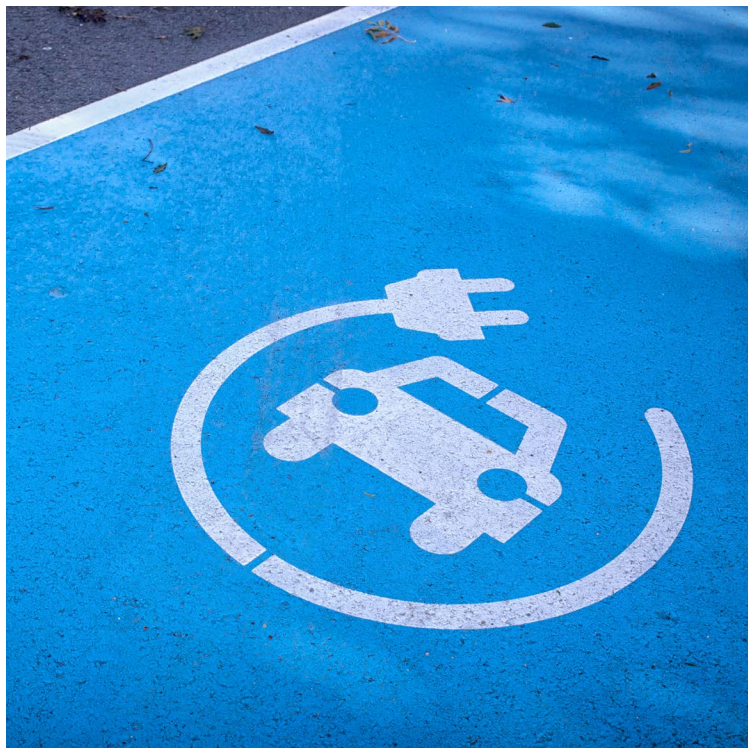
However, SEAT was perhaps the first manufacturer to announce a major shift in optional extras policy by removing them from its entire model range.

The August 2018 announcement was 'dressed up' as a move to "simplify the purchasing process", although SEAT acknowledged the move was made in at least partial response to the new WLTP testing regime.

Instead of agonising over endless choices on spec and extras, SEAT customers now pick an engine, trim level and colour. Each trim level features a host of equipment as standard, with the packages formulated to match particular needs, such as tech, luxury or sport.

At the time of the announcement Richard Harrison, director, SEAT UK said: **"Everyone used to think that having loads of choice was a good thing, but in fact people find it really difficult to understand all the permutations and options when buying a new car. We realised it was time for a change and that if we can help people get to what they want in an easier way, then they will enjoy the experience more.**

"When you add on the industry complexity of WLTP – where individual factory options could change the CO2 output of the car – and you look at where consumer trends are going, it makes complete sense. I would be surprised if we didn't see a number of competitors following SEAT UK in this."



Plug-in *to minimise the company car benefit-in-kind tax burden*

Venson Automotive Solutions is a strong promoter of plug-in vehicles and it remains abundantly clear following publication of the company car benefit-in-kind tax figures to the end of the 2022/23 tax year that those are the cars that fleets must embrace wherever and whenever possible to limit employees' tax burden as much as possible.

The issue is that while the Government has incentivised the take-up of plug-in models it has failed to take account of the lack of availability of those vehicles in today's marketplace. Plug-in vehicles – and particularly zero emission models – remain a very niche product and what availability there is currently fails to meet fleet and company car driver requirements in the majority of cases.

Nevertheless, almost every month at least one motor manufacturer announces the launch of a new plug-in model so it is vital that both fleet operators and company car drivers focus on the 'new model market' to see what is presently available and what is forthcoming.

Latest figures from the Society of Motor Manufacturers and Traders suggest there are around 40 plug-in models on the market in the UK, with more than 20 further models expected to arrive in showrooms in 2019 and many more to follow in 2020 and beyond.

Using the UK's best-selling zero emission electric car, the Nissan Leaf, illustrates the potential for reducing the benefit-in-kind tax burden from April 6, 2020.

That's because in 2019/20 the company car benefit-in-kind tax rate on the model – and all other zero emission models – is 16%. That means a basic rate (20%) taxpayer is paying £1,006 in company car benefit-in-kind tax and higher rate tax payers (40%) £2,012 on the five-door 40k 150 Acenta auto model (P11D value: £31,440), which has a homologated WLTP driving range of 168 miles.

However, in 2020/21, 2021/22 and 2022/23 – irrespective of whether the car is first registered before or after April 6, 2020 – the tax bill will be £0 next year rising to £63 (20% taxpayer) and £126 (40% taxpayer) in 2021/22 and £126 (20% taxpayer) and £252 (40% taxpayer) in 2022/23. That means in the three years 2020/21-2022/23 a basic rate taxpayer will pay company car benefit-in-kind tax on the model of just £189 and a higher rate taxpayer only £378 – an unprecedented low burden.

New car registrations are already down 3.4% in the first half of 2019 versus the same period last year and that follows a 6.8% fall last year, which the Society of Motor Manufacturers and Traders blamed partly on a failure by the Government to provide company car benefit-in-kind tax clarity.

Now company car benefit-in-kind tax rates to the end of 2022/23 have been published, the saving in 2020/21 and the next two financial years on cars registered from April 6, 2020 provides every incentive for fleet decision-makers and drivers to delay replacing a current vehicle until after that date if choosing a zero emission car.

Kalyana Sivagnanam, managing director of Nissan Motor (GB) Ltd, said: **"Electric vehicles like the Nissan Leaf already offer huge benefits to company car drivers, including a quiet and relaxing drive, great performance and the very latest Nissan Intelligent Mobility technologies. Add to this strong availability and minimal lead times and the Leaf offers a great opportunity for forward-thinking fleets.**

"We welcome these latest tax changes, which will add a further financial incentive for company car drivers to switch to zero emissions fleet vehicles and help accelerate demand for electric cars."

Company car drivers can also minimise their benefit-in-kind tax burden by opting for plug-in hybrid electric vehicles.

The best-selling plug-in hybrid electric vehicle is the Mitsubishi Outlander. Selecting the 2.4h Dynamic auto model (P11D value: £38,500) with a zero emission range of 28 miles and a current CO2 figure of 40g/km sees the model fall in to the 16% benefit-in-kind tax rate band in 2019/20. That means a tax bill of £1,232 for a basic rate taxpayer and £2,464 for a higher rate taxpayer. In 2020/21, 2021/22 and 2022/23 on cars first registered before April 6, 2020 the tax burden reduces to 14% meaning a bill of £1,078 for a basic rate taxpayer and £2,156 for a higher rate taxpayer.

However, benefit-in-kind tax on the same model – the WLTP CO2 emissions figure rises to 46g/km – first registered from April 6, 2020 and total savings of £231 (20% taxpayer) and £462 (40% taxpayer) can be made in 2020/21 and 2021/22 before equalising in 2022/23 with a model registered prior to April 6, 2020. In 2020/21 the car will fall into the 12% tax bracket (£924/1,848), rising to 13% in 2021/22 (£1,001/£2,002) and to 14% in 2022/23 (£1,078/£2,156).

Mitsubishi Motors, not surprisingly, has welcomed the restructuring of company car benefit-in-kind tax saying that **"it will undoubtedly incentivise drivers to drive greener vehicles".**

Rob Lindley, managing director of Mitsubishi Motors in the UK, said: **"It is encouraging that proper consideration has been given to plug-in hybrid vehicles as part of the benefit-in-kind update for company car drivers. We're hopeful that the Government is beginning to understand that plug-in hybrid vehicles represent the perfect segue to a zero emission future."**

The petrol and diesel company car benefit-in-kind *tax challenge*

Diesel has been the 'go to' powertrain of choice for company car drivers following the introduction of CO2 based benefit-in-kind tax, and it remains so for high mileage drivers.

However, the dilemma facing fleet operators and company car drivers is that diesel company cars presently attract a four percentage point benefit-in-kind tax supplement unless they are RDE2 compliant in which case they are exempt from the additional charge.

The WLTP-related RDE2 standard has been designed to check that the emission levels of nitrogen oxides (NOx), and particle numbers (PN) measured during the WLTP test are accurate in on road driving conditions. RDE does not measure CO2 emissions.

The RDE2 standard is not mandatory until January 2021, but the Government's tax regime is running ahead of most manufacturers' product range renewals as only a handful of compliant models are in showrooms – at the time of writing Jaguar XE and XF and Mercedes-Benz A Class and B Class models. However, the facelifted Vauxhall Astra, which is now available to order, comes with an RDE2-compliant diesel engine choice.

Consequently, choosing an RDE2-compliant company car will deliver a tax saving. Therefore, at face value it may seem sensible to delay replacement until after April 6, 2020 when a greater choice of such models will be available.

However, the impact of WLTP testing will almost certainly not be enough to wipe out a higher CO2 emissions figure on those cars registered post April 6, 2020 compared to those registered prior to that date. Therefore, even if choosing a new RDE2-compliant diesel model the sensible move could be to replace now and not wait until April 6, 2020.

Meanwhile, leaving aside the RDE2-compliancy issue, despite the initial reduction in benefit-in-kind tax thresholds for cars first registered from April 6, 2020 that easing is unlikely to be enough to counterbalance the rise in CO2 emissions on a petrol and diesel model-for-model basis under WLTP testing. Consequently, the tax burden on many typical company cars – petrol and diesel – is likely to be higher than those registered before April 6, 2020, as benefit-in-kind tax calculations see page 3. As a result, it poses a huge dilemma for fleet operators and company car drivers as to when it is best to order and replace vehicles.

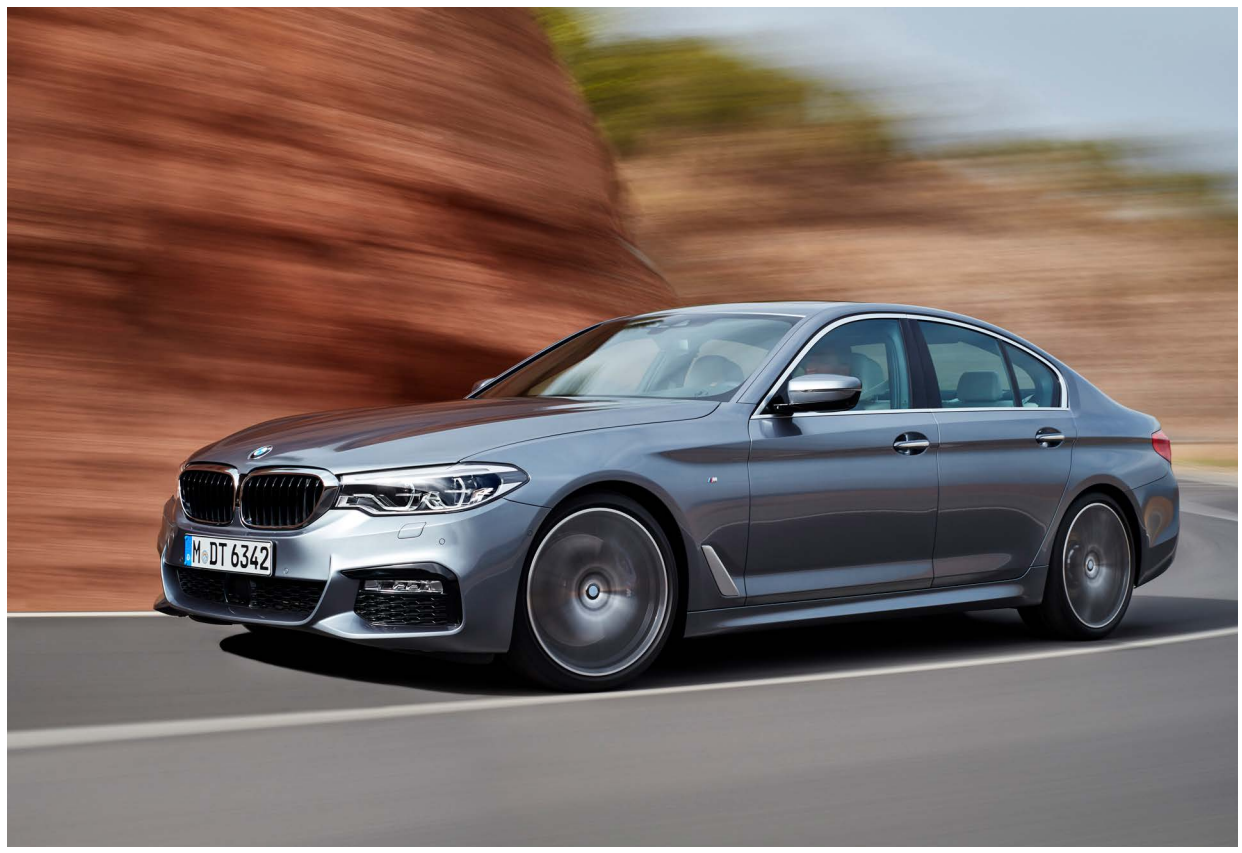
The Jaguar XF 163PS and 180PS diesel rear-wheel drive variants are among the first RDE2-compliant models to be launched. The brand claims that company car drivers could see savings of up to £2,304 over three years when combined with lower first year Vehicle Excise Duty.

The entry-level XF 2.0 four cylinder turbocharged 163PS Prestige diesel saloon (P11D value £34,725) has an NEDC-correlated CO2 emissions figure of 124g/km putting the model in the 28% benefit-in-kind tax bracket in 2019/20 giving a charge of £1,945 (basic rate taxpayer) and £3,889 (higher rate taxpayer). For a car registered prior to April 6, 2020 the tax burden rises to 29% in 2020/21-2022/23 giving a tax charge of £2,014 (basic rate taxpayer) and £4,028 (higher rate taxpayer). The previous non-RDE2-compliant model had CO2 emissions of 134g/km, which would have put it in the 34% benefit-in-kind tax bracket in 2019/20 rising to 35% in 2020/21-2022/23.

By comparison, the BMW 520d 190 SE saloon (P11D value: £38,445) with a lower 117g/km CO2 emission figure incurs the four percentage benefit-in-kind tax supplement thus putting the model in the 31% tax bracket in 2019/20 and incurring a tax charge of £2,384 (basic rate taxpayer) and £4,767 (higher rate taxpayer). In 2020/21 on a pre-April 6, 2020 registered model the tax charge rises to 32% where it stays for the following two tax years giving an annual tax charge of £2,460 (basic rate taxpayer) and £4,921 (higher rate taxpayer).

Unfortunately BMW and Jaguar are among the long list of motor manufacturers that have yet to publish WLTP CO2 figures making the task for fleet operators of compiling tax-efficient company car choice lists and drivers of calculating what their benefit-in-kind tax bills will be on cars registered from April 6, 2020 impossible (see page 5).

A BMW spokeswoman said: **"We will not be publishing WLTP CO2 values until April 2020." Meanwhile, a Jaguar spokeswoman said: "We haven't published WLTP CO2 figures yet. I would imagine we will do towards the end of the year but for now, we can only provide the NEDC-correlated figures."**



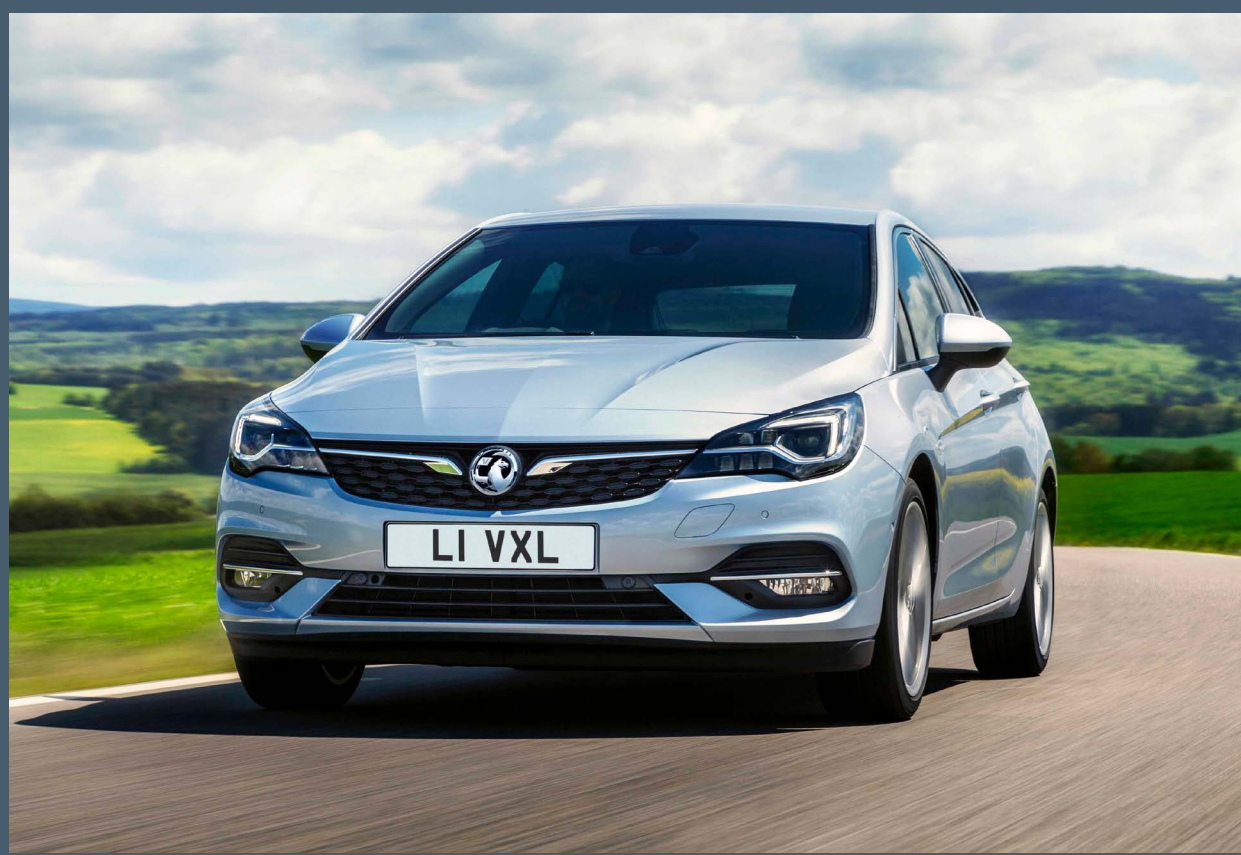
Vauxhall says its facelifted Astra offers an engine choice with CO2 emissions up to 19% down on the outgoing model, when comparing NEDC-correlated figures.

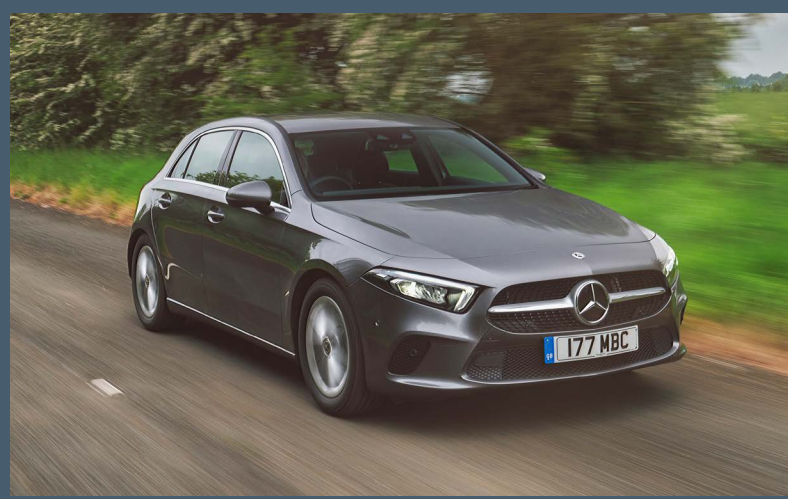
The entry-level five-door hatchback 1.5 105PS Turbo D six-speed manual has a CO2 figure of 95g/km, which in SE trim has a P11D value of £19,720. With the car in the 23% tax bracket in 2019/20 the tax charge is £907 (basic rate taxpayer) and £1,814 (higher rate taxpayer) rising to £947/£1,893 in the following three financial years as the model then drops into the 24% tax bracket.

Vauxhall provided provisional 'range' WLTP CO2 figures of 117-125g/km for the entry-level diesel engine for this paper. Assuming the same model/trim combination is registered after April 6, 2020 and the car sits at the bottom end of the 'range' it will fall into the 26% tax bracket in 2020/21 giving a tax charge of £1,025 (basic rate taxpayer) and £2,051 (higher rate taxpayer) rising to £1,065/£2,130 in 2021/22 as the model drops into the 27% tax bracket and £1,104/£2,209 in 2022/23 as the model then drops into the 28% tax bracket.

Therefore, taking delivery of the model prior to April 6, 2020 will in the tax years 2020/21, 2021/22 and 2022/23 deliver a tax saving of £353 (basic rate taxpayer) and £711 (higher rate taxpayer) versus a post-April 6, 2020 first registered model when WLTP CO2 figures are applied.

For comparison purposes the nearest equivalent engine in the 'old' Astra range is the 1.6 CDTi 16v Ecotec, which in Tech Line Nav trim has a CO2 figure of 107g/km. As it is not RDE2-compliant it is in the 29% tax bracket in 2019/20 and the 30% tax bracket in 2020/21 and the following two financial years.



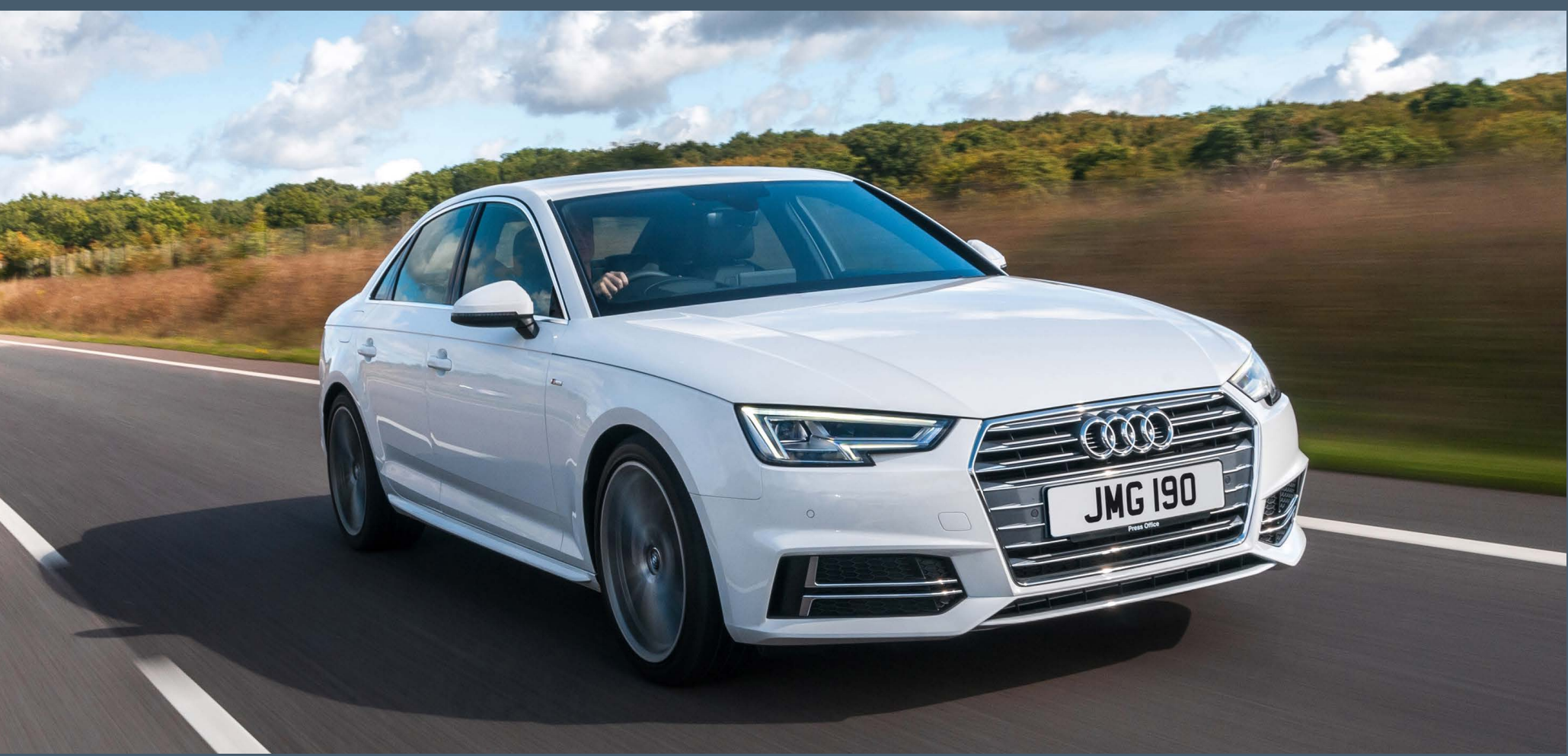


Mercedes-Benz was able to provide 'range' WLTP CO2 figures for its RDE2-compliant A Class 200d 150 bhp eight-speed auto hatchback model. Selecting the model in Sport trim as an example (P11D value: £28,685) and an NEDC-correlated CO2 figure of 110g/km it falls into the 26% tax bracket in 2019/20 thereby incurring a tax charge of £1,492 (basic rate taxpayer) and £2,983 (higher rate taxpayer). In 2020/21 on a pre-April 6, 2020 registered model the tax charge rises to 27% where it stays for the following two tax years giving an annual tax charge of £1,559 (basic rate taxpayer) and £3,117 (higher rate taxpayer).

However, under WLTP testing the model's CO2 figure rises to a 'range of 125-140g/km'. A Mercedes-Benz spokeswoman said: **"These are the official WLTP European Union figures and therefore may not reflect the equipment level offered in the UK, however our specification will sit somewhere between these bandwidths."**

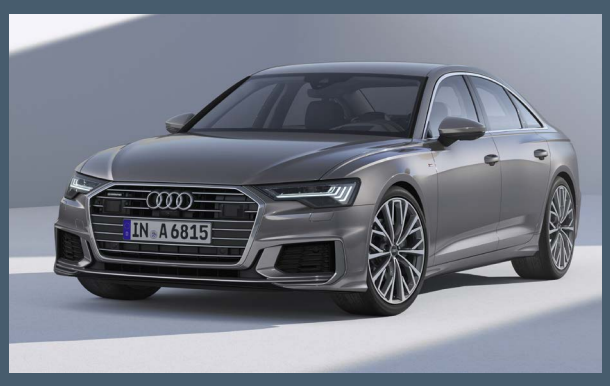
Even assuming that the model will sit at the bottom end of the CO2 range (125g/km) and with no diesel tax penalty as it is RDE2-compliant, it will fall into the 28% tax bracket in 2020/21 and then rise to 29% in 2021/22 and 30% in 2022/23. Therefore, the removal of the tax supplement and the reduction in tax thresholds will be insufficient to wipe out the impact of a rise in CO2 emissions as a result of WLTP testing on an A Class 200d 150 bhp eight-speed auto hatchback Sport model registered after April 6, 2020. The tax charges in the three years starting 2020/21 will be respectively: £1,606/£3,213, £1,664/£3,327 and £1,721/£3,442 – all higher than for a model first registered prior to April 6, 2020.

Therefore, taking delivery of the model prior to April 6, 2020 will in the tax years 2020/21, 2021/22 and 2022/23 deliver a tax saving of £314 (basic rate taxpayer) and £631 (higher rate taxpayer) versus a post-April 6, 2020 first registered model.



Audi has made its WLTP CO2 figures available and they clearly show the impact of the new emissions testing procedure on benefit-in-kind tax bills. For example, the entry-level A4 2.0 TDI 136PS S tronic Technik saloon (P11D value: £34,275) has an NEDC-correlated CO2 emissions figure of 103g/km that rises to 134g/km under WLTP testing for a standard specification model.

In 2019/20 the model falls into the 28% tax bracket giving a tax bill of £1,919/£3,838 before rising into the 29% tax bracket for the following three financial years giving an annual tax bill of £1,988/£3,976. However, Audi has yet to launch any RDE2-compliant cars so the model, if first registered after April 6, 2020, falls into the 33% tax bracket in 2020/21 giving a tax bill of £2,262/£4,524 rising to 34% in 2021/22 (£2,331/£4,661) and 35% in 2022/23 (£2,399/£4,798). That means over the three years 2020/21-2022/23 a basic rate taxpayer driver will pay an additional £1,028 in benefit-in-kind tax (£2,055 higher rate taxpayer) clearly showing the impact of the WLTP testing regime on CO2 emissions – and tax bills.



Moving up to the Audi A6 model and the impact is similarly stark. The entry-level A6 2.0 TDI 204PS S tronic Sport saloon (P11D value: £39,110) has an NEDC-correlated CO2 emissions figure of 117g/km that rises to 146g/km under WLTP testing for a standard specification model.

In 2019/20 the model falls into the 31% tax bracket giving a tax bill of £2,425/£4,850 before rising into the 32% tax bracket for the following three financial years giving an annual tax bill of £2,503/£5,006. However, Audi has yet to launch any RDE2-compliant cars so the model, if first registered after April 6, 2020, falls into the top 37% tax bracket in 2020/21 and the following two tax years due to its four percentage point penalty giving an annual tax bill of £2,894/£5,788. That means over the three years 2020/21-2022/23 a basic rate taxpayer driver will pay an additional £1,173 in benefit-in-kind tax (£2,346 higher rate taxpayer), again clearly showing the impact of the WLTP testing regime on CO2 emissions.

Audi provided WLTP CO2 emissions data for this paper with a spokesman explaining: **"At the moment there is no customer-facing list of WLTP CO2 values for the Audi range. We know that there is a need for far greater visibility and plans are afoot to revamp the website – www.audi.co.uk – to make this data more accessible and this will be implemented as soon as possible. For the time being, when a customer completes a configuration for their preferred model at www.audi.co.uk they can obtain the WLTP data for their specific chosen model by clicking on the 'complete technical data' tab on the summary page."**

The key issue for company car drivers considering ordering a petrol engine model is to compare the current NEDC-correlated CO2 figure with the post April 6, 2020 WLTP CO2 figure. However, as already identified, that is impossible when the vast majority of motor manufacturers have not made WLTP CO2 figures available.

Nevertheless, using Audi and Vauxhall's data it is possible to view the impact of WLTP emissions testing on company car benefit-in-kind tax bills.

The Audi A4 saloon is a popular company car and the 2.0 TFSI 150PS S tronic Technik saloon (P11D value: £32,075) has an NEDC-correlated CO2 emissions figure of 126g/km that rises to 150g/km under WLTP testing for a standard specification model.

In 2019/20 the model falls into the 29% tax bracket giving a tax bill of £1,860/£3,721 before rising into the 30% tax bracket for the following three financial years giving an annual tax bill of £1,924/£3,849. However, due to the impact of WLTP, the model, if first registered after April 6, 2020, falls into the 33% tax bracket in 2020/21 giving a tax bill of £2,117/£4,234 rising to 34% in 2021/22 (£2,181/£4,362) and 35% in 2022/23 (£2,345/£4,490). That means over the three years 2020/21-2022/23 a basic rate taxpayer driver will pay an additional £771 in benefit-in-kind tax (£1,539 higher rate taxpayer) clearly showing the impact of the WLTP testing regime on CO2 emissions and thus tax bills.

Moving up to the Audi A6 model and the impact is similarly clear. The entry-level A6 2.0 245PS S tronic Sport saloon (P11D value: £41,510) has an NEDC-correlated CO2 emissions figure of 150g/km that rises to 183g/km under WLTP testing for a standard specification model.

In 2019/20 the model falls into the 34% tax bracket giving a tax bill of £2,823/£5,645 before rising into the 35% tax bracket for the following three financial years giving a tax bill of £2,906/£5,811. However, due to the impact of WLTP, the model, if first registered after April 6, 2020, falls into the top 37% tax bracket immediately in 2020/21 giving a tax bill for that year and the following two financial years of £3,072/£6,143. That means over the three years 2020/21-2022/23 a basic rate taxpayer driver will pay an additional £498 in benefit-in-kind tax (£996 higher rate taxpayer) clearly showing the impact of the WLTP testing regime on CO2 emissions and thus tax bills.

The new Vauxhall Astra 1.2 110PS model in SE trim has an NEDC-correlated CO2 emissions figure of 99g/km that rises to a range of 119-126g/km under WLTP testing.

In 2019/20 the model falls into the 23% tax bracket giving a tax bill of £860/£1,720 before rising into the 24% tax bracket for the following three financial years giving a tax bill of £898/£1,795. However, due to the impact of WLTP, the model, if first registered after April 6, 2020 and assuming it has a CO2 emissions figure at the bottom end of the range, falls into the 26% tax bracket

in 2020/21 giving a tax bill for that year of £972/£1,945. In 2021/22 the model will be in the 27% tax bracket and in 2022/23 the 28% tax bracket giving respective annual tax bills of £1,010/£2,019 and £1,047/£2,094.

That means over the three years 2020/21-2022/23 a basic rate taxpayer driver will pay an additional £335 in benefit-in-kind tax (£673 higher rate taxpayer) clearly showing the impact of the WLTP testing regime on CO2 emissions and thus tax bills.

Overall, the fact remains that many of the UK's historically 'favourite' company cars now fall into – or close to – the 30% (2019/20: 130g/km) or above benefit-in-kind tax threshold. While that tax bracket is close to the top of the current bandings it is tough to class such models as 'high-emitters'.

Therefore, to assuage company car drivers of potentially 'high' benefit-kind tax bills it is incumbent on fleet decision-makers to comprehensively review vehicle choice lists and using whole life cost and fit-for-purpose criteria identify the 'lowest' possible CO2-emitting models to ease the tax burden.

The alternative is that drivers, particularly those for whom a company car is a 'perk', will opt out of the company car regime – assuming plug-in vehicles are not a viable option – and 'do their own thing' and thus move into the 'grey fleet' sector, which presents a whole new set of challenges for businesses and fleet decision-makers (see page 18).

- NB: Different income tax rates apply in Scotland.

Motor manufacturers' must immediately publish WLTP CO2 figures

All motor manufacturers should immediately take the required action and publish comprehensive WLTP CO2 data to enable fleet decision-makers and company car drivers to calculate benefit-kind-tax on vehicles scheduled for delivery from April 6, 2020.

From April 6, 2020 the Government has said that company car benefit-in-kind tax will be calculated from a model's CO2 figure derived from the new WLTP emission and fuel economy testing regime.

Since September 2018 all new cars have had to be tested under WLTP rules. However, in the current interim period – until April 6, 2020 – CO2 emission figures using a European Commission-developed mathematical tool known as Co2mpas have been converted back to a comparable 'old' New European Driving Cycle value. It is known as an NEDC-correlated or converted figure.

Many fleets and company car drivers have delayed replacement of their company cars as they awaited tax clarity from the Government.

However, now that tax rates are known to the end of 2022/23, fleet decision-makers and company car drivers are discovering that WLTP-based CO2 figures are not easily and readily accessible.

Research by Venson Automotive Solutions, has discovered that WLTP CO2 figures are invariably not available on the websites and online 'car builder' tools offered by many motor manufacturers. Furthermore, industry data providers, which supply contract hire and leasing companies and major fleets with tax, service, maintenance and repair and residual value information, are also unable to source the required figures en masse.

Simon Staton, director of client management at Venson Automotive Solutions, said: **"We are in an absurd position. Although the Government has only just published company car benefit-in-kind bands for 2020/21 and the following two financial years, it announced in the November 2017 Budget that WLTP CO2 information would be used for company car benefit-in-kind tax purposes from April 6, 2020.**

"Following the Government's company car benefit-in-kind tax band announcement we are being asked by customers and prospects to provide quotes on cars – including tax calculations – for delivery pre- and post-April 6, 2020, but the WLTP CO2 data is not available.

"We know that motor manufacturers have the WLTP CO2 data because the NEDC-correlated or converted figure currently available for each car is derived from it. Therefore, it seems illogical that the information is not readily available so fleet decision-makers can review future company car choice lists – particularly where a CO2 emission cap is in place – and drivers can make decisions on their next company car."

He continued: **"With such variance in CO2 emissions between the old NEDC system, the current NEDC-correlated regime and the new WLTP rules it means that benefit-in-kind tax will be higher on many company cars as a result of WLTP.**

"That is despite the Government reducing most rates for cars first registered from April 6, 2020, by two percentage points in 2020/21 compared to those registered before April 6, 2020 before returning to planned rates over the following two years – increasing by one percentage point in 2021/22 and a further one percentage point in 2022/23.

"Therefore, when company cars are ordered, delivered and first registered – pre- or post-April 6, 2020 – is now a critical issue for fleet decision-makers and company car drivers. They need all the data in front of them to make the required calculations and decisions, but they cannot do so if WLTP CO2 information from motor manufacturers is not published and easily available."

Optional Remuneration Arrangements (OpRA)

and how they impact on car salary sacrifice schemes and car or cash allowance programmes

Car salary sacrifice schemes and car or cash allowance programmes continue to have a key role to play within wide-ranging employee benefit packages despite the added complexity of Optional Remuneration Arrangements (OpRA) rules.

Initially introduced at the start of the 2017/18 tax year, they were implemented with so much haste that the fleet industry sought clarity around a number of elements. As a result, changes were made to OpRA rules, which came into effect from April 6, 2019.

OpRA rules mean that employees opting for a salary sacrifice arrangement or taking a company car in lieu of a cash alternative will pay tax on the higher of the existing company car benefit value and the salary sacrificed or cash allowance given up.

However, car arrangements in place before April 6, 2017 – when the new rules were introduced – are protected until April 2021. Additionally ultra-low emission vehicles (ULEVs) – currently those with CO2 emissions of 75g/km or less – are exempt from the regulation. That means that, in addition to the new company car benefit-in-kind rates recently announced for the next three financial years, salary sacrifice arrangements for 'plug-in' cars are "extremely attractive going forward", according to Deloitte, a top-tier professional service firm.

Salary sacrifice arrangements for 'plug-in' cars are attractive because of the large difference in tax on salary (20% or 40% depending whether a lower or higher rate taxpayer) and company cars (0% to 14%).

Dan Rees, head of cars and fleet consulting at Deloitte, said: **"Employees could save around 50% over a retail deal for pure electric vehicles and the implementation of such an arrangement supports corporates' 'green' agendas. We anticipate that there will be a significant increase in demand for these company cars that manufacturers will need to be able to meet."**

He added that benefit-in-kind tax rates for regular petrol and diesel company cars was **"high and getting higher".** The change in the vehicle emissions laboratory testing regime has led to increased CO2 emissions and in many cases higher tax, notwithstanding the two percentage point rate reduction in 2020/21 versus 2019/20 for cars registered from April 6, 2020. Therefore, Mr Rees said: **"For many drivers, the cash allowance or company car question remains valid."**

Last year the Government looked to address what it called "two anomalies" in the OpRA rules, by introducing legislation, which took effect on April 6, 2019, to:

- **Ensure that when a taxable car or van was provided under OpRA, the amount of earnings foregone, was the total amount ie: in exchange for the vehicle and all 'connected benefits' such as maintenance and insurance. In other words, the amount foregone for the vehicles would no longer be reduced by allocating a proportion to 'connected benefits'. Those 'connected benefits' are included in the company car/van benefit-in-kind tax charge under 'normal rules'**
- **Adjust the value of any capital contribution towards a taxable car according to the days available in a tax year, in line with 'normal company car benefit-in-kind tax rules'.**

The Government said the amended legislation would ensure that OpRA rules worked as intended. Deloitte confirmed that the previous practice of apportioning the 'amount foregone' to exclude 'connected benefits' for cars or vans would no longer be appropriate.

The following two examples provided by Deloitte – assuming a 40% taxpayer and a three-year car term from April 6, 2020 – highlight the company car, cash allowance, salary sacrifice or electric vehicle challenge.

Example 1: Sports Utility Vehicle (SUV)

Diesel list price: **£43,000**
Electric vehicle list price: **£70,000**
Cash alternative: **£11,500**

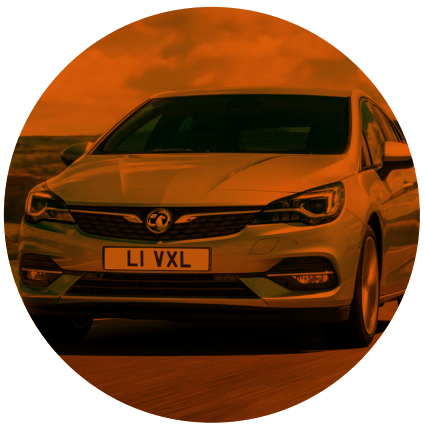
Company car, cash allowance or electric vehicle?

- An employee could save around £2,500 a year by opting for the diesel SUV in a private retail finance deal funded by the cash allowance option rather than as a company car.
- However, the employee could save around a further £4,900 a year by choosing the electric vehicle as a company car. That is around a £7,400 a year saving compared to the diesel option as a company car.
- Despite the far higher list price (and finance rentals), the electric vehicle costs the business the same as the diesel to provide as a company car per annum. That is due to far lower Class 1A National Insurance contributions and fuel/electricity costs (The Advisory Fuel Rate for a fully-electric car is 4p per mile).
- Conclusion: The electric vehicle is a compelling option for employer and employee.

Salary sacrifice?

- An employee electing to sacrifice salary in return for the electric vehicle as a company car would save around £7,800 per year compared to a private retail deal for the same car, which is a 52% saving.

Example 2: Hatchback



Diesel list price: **£28,000**
Electric vehicle list price: **£33,000**
Cash alternative: **£7,000**

Company car, cash allowance or electric vehicle?

- An employee could save around £1,500 a year by opting for the diesel hatchback in a private retail finance deal funded by the cash allowance option rather than as a company car.
- However, the employee could save around a further £2,500 a year by choosing the electric vehicle as a company car. That is around a £4,000 a year saving compared to the diesel option as a company car.
- Despite the higher list price (and finance rentals), the electric vehicle costs the business £1,500 less per annum than the diesel to provide as a company car. That is due to lower Class 1A National Insurance contributions and fuel/electricity costs (The Advisory Fuel Rate for a fully-electric car is 4p per mile).
- Conclusion: The electric vehicle is a compelling option for employer and employee.

Salary sacrifice?

- An employee electing to sacrifice salary in return for the electric vehicle as a company car would save around £3,900 per year compared to a private retail deal for the same car, which is a 50% saving.

VENSON *Advantage*

Venson Automotive Solutions has a salary sacrifice offering in its product portfolio. Called Venson Advantage, it is designed to deliver a company car solution to employees that by virtue of their job may not benefit from the 'perk'.

What's more, providing a company car through a salary sacrifice scheme eliminates any requirement for employees to drive their own cars on business trips – known as the 'grey fleet'- which has significant duty of care management implications for employers as well as potentially a huge cost in terms of mileage reimbursement (see page 9).

Through Venson Automotive Solution's interactive portal Venson Advantage gives users a 'my quotes' personal log-in, allowing them to compare vehicles side-by-side.

The fleet of vehicles offered is predetermined by the employer and users can compare vehicles based on any one of a number of options including engine size, CO2 ratings, mpg, P11D value, whole life cost and benefit-in-kind tax cost. Employees can also see information on the vehicle's standard fit options as well as factory fitted optional extras. Monthly costs can be adjusted as choices are made to help an employee remain within their predetermined allowance.

Additionally, to help employees understand the impact of a salary sacrifice payment on their monthly salary, the tool shows the deductions based on their tax bracket and monthly allowance. It also includes a 'future view' letting an employee know what the impact of any published changes in company car benefit-in-kind taxation (for the next three years) will have on their salary.

Simon Staton, director of client management, Venson Automotive Solutions, said: **"Venson Advantage puts fleet operators and their drivers in control, helping to eliminate the need for 'grey fleet' vehicles and the associated costs."**

The key benefits of salary sacrifice also include: Fixed all-inclusive monthly costs, National Insurance savings, 'hassle-free' acquisition, no credit check requirement, no deposit needed and fleet discounts and for some a beneficial VAT position reflected in monthly costs.

HMRC warns businesses

on use of employee loans to escape OpRA rules

The taxman has warned that it may "challenge" businesses that provide loans to their employees to "get around" Optional Remuneration Arrangements (OpRA) rules.

The warning was contained in HM Revenue and Customs' (HMRC) June 2019 Employer Bulletin. Under the headline 'Using loans to escape the Optional remuneration rules', HMRC said businesses did so by paying an amount of money, which would otherwise be classified as earnings, through a loan facility

HMRC said: **"Income tax and National Insurance contributions may be due on these earnings and HMRC may challenge such arrangements. It is the employer's responsibility to ensure the accuracy of their tax return and to understand the consequences of their decisions."**

The warning, according to Deloitte, was particularly targeted at employers that put in place structured Employee Car Ownership (ECO) schemes involving a loan facility in conjunction with salary to deliver funds to an employee. The loan was then paid down with tax- and National Insurance-free Approved Mileage Allowance Payments (AMAPs) – 45p for the first 10,000 business miles and 25p thereafter - in the first instance and/or taxable earnings as required. The paying of AMAPs for business mileage opposed to cash is at the heart of ECO car funding tax efficiency.

Mr Rees said, **"One problem here is that many of these arrangements are just book entries, rather than real loans paid down with real AMAP payments. Another is that if the amounts of loans, salaries and AMAP payments are related to each-other, these arrangements may well fall into OpRA. We know that HMRC's statement is deliberately non-specific so it can apply to a multitude of varieties of structures that would look to use these elements.**

"We are aware that there are third parties advocating this type of structure and there may even be schemes like this in operation. We understand that HMRC considers that these arrangements are aggressive and could even fall under the General Anti-Abuse Rules (GAAR) where there is deemed to be a tax advantage which is also considered abusive."

As a result, Deloitte said that there would now be limited circumstances where ECO schemes would be considered bona fide commercial arrangements and tax compliant. In other cases, schemes deemed to be 'contrived' had almost certainly hit the end of the road.

In the article, HMRC said: **"OpRA legislation limits the tax advantages available where a benefit-in-kind is provided in conjunction with a cash allowance, flexible benefit packages with a cash option or salary sacrifice arrangements. Under the OpRA rules, the value of the benefits-in-kind was the higher of the amount of earnings given up, or the value under the standard rules."**

Mr Rees said that in the wake of HMRC's warning, businesses wishing to make use of the tax efficiency of paying AMAPs for business mileage should 'keep it simple' and return to a straightforward 'cash or car' alternative thus avoiding 'contrived' arrangements.

He continued: **"It is perfectly possible to structure an arrangement that goes a long way toward the functionality of a pre-OpRA ECO scheme, but this requires care and an appreciation of the implications, not least employee cash flow and the day-to-day administration."**

ECO schemes typically rely on a loan or credit sale agreement that transfers the ownership of a car to an employee from day one. That transfer of ownership prevents a company car benefit-in-kind tax charge arising. Historically, ECO schemes aimed to keep each employee neutral to the benefit-in-kind tax they would have paid on the vehicle they wanted as a company car. That was achieved through monthly employer funding comprised of tax and National Insurance free AMAPs as reimbursement for business mileage and usually a taxable cash 'top up'. The ratio of those two elements in any given month was dependent on the amount of business mileage submitted by the employee in that month.

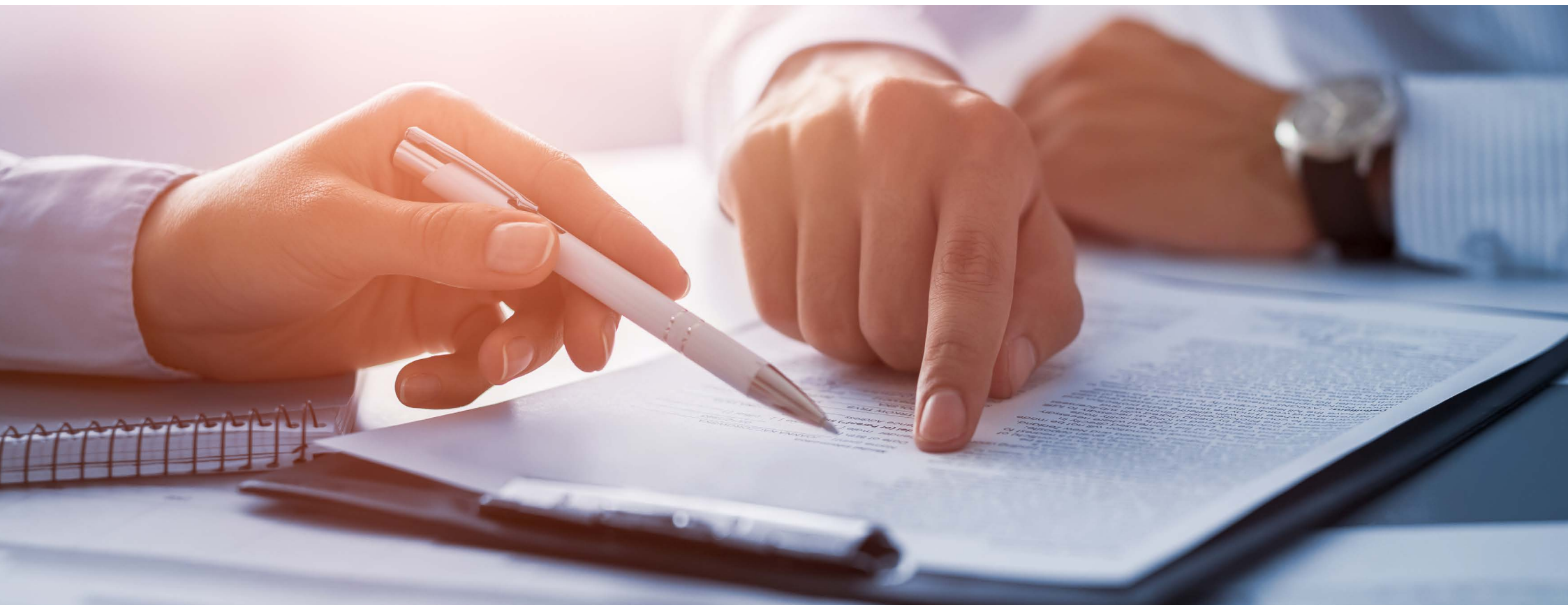
However, Mr Rees added: **"Where there is this variability of cash and AMAP, the OpRA rules apply, because AMAP is a cash benefit provided in conjunction with a cash allowance. The consequence of this is that the tax exemption on the AMAP is effectively cancelled, removing a key part of the financial and tax effectiveness of the arrangement, as more taxable cash would be required to keep an employee neutral to the company car tax that would have been charged.**

"To avoid this variability, there can now only reasonably be the payment of AMAP for business mileage and/or a fixed payment of cash allowance, where employees choose to drive their own cars. Employee cash flow is by default therefore dependent on their business mileage submission and AMAP pence per mile rate profiles. This sort of arrangement would be subject to careful design and is unlikely to be suitable to all employees.

"We believe that the pre-OpRA ECO schemes' objective of keeping each employee precisely neutral to a company car tax cost based on their exact car choice, which could vary significantly depending on the car, is no longer viable in its original form."

Mr Rees concluded: **"Paying AMAPs for business mileage clocked up in an employee's own car continues to be absolutely legitimate. Even where a lower rate is paid for business mileage, a cash allowance could still benefit employees.**

"Additionally, the mode of employee vehicle finance in these more simple arrangements could have some flexibility. The widely available Personal Contract Hire, which does not transfer title of the car to the employee, could be used as a funding method, given appropriate care on arrangement design."



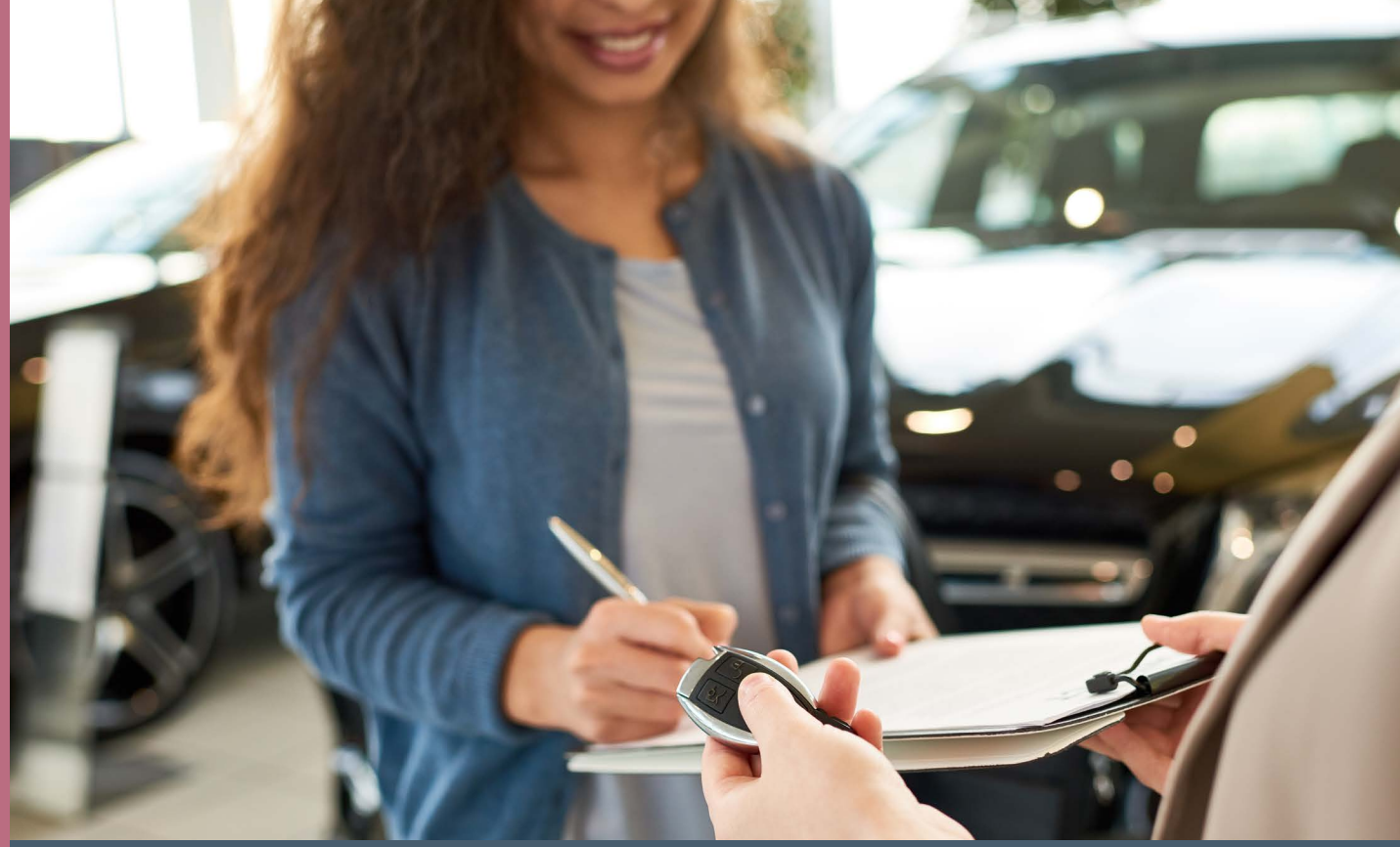
General *anti-abuse* rules

General Anti-Abuse Rules (GAAR) were brought into force in July 2013 as a way to manage the risk of tax avoidance and to target abusive avoidance schemes without damaging the overall competitiveness of the UK financial system. The GAAR legislation defines the kinds of tax arrangements which are deemed to be abusive.

Changes to GAAR came into effect in September 2016 with the Finance Act 2016 which introduced penalties – 60% of the tax due plus 30% 'careless penalty'- for people entering into abusive tax arrangements on or after September 15, 2016 if they failed to correct their tax position. There are also penalties for enablers of schemes deemed to be within the scope of GAAR. The changes allow HMRC to give provisional counteraction notices which inform taxpayers about the adjustments that may be needed to counteract a tax advantage arising from an arrangement.

A tax advantage is gained when a 'tax arrangement' when viewed objectively has the effect of obtaining a benefit as its main purpose or one of its main purposes. Tax experts say that 'clearly sets a low threshold' for considering the possible application of the GAAR.

However, for any arrangement to be caught it must also be 'abusive'. Abusive tax arrangements are 'arrangements the entering into or carrying out of which cannot reasonably be regarded as a reasonable course of action in relation to the relevant tax provisions, having regard to all the circumstances...'.



Structured Employee Car Ownership (ECO) schemes

and could the funding mechanism make a comeback?

Employee Car Ownership (ECO) schemes – frequently referred to as structured ECO schemes – could make a return to popularity among fleets particularly operating petrol and diesel company cars subject to high levels of benefit-in-kind tax from April 6, 2020, according to some experts.

ECO schemes emerged in the mid-late 1990s as a mechanism for employees to receive many of the benefits of a company car, but without being subjected to benefit-in-kind tax.

Typically a scheme was structured using a vehicle leasing company as a provider, enabling an employer to facilitate the provision of a car, and a package of related services, to an employee at a corporate (discounted) rate.

To ensure a vehicle was not subject to benefit-in-kind tax, ownership of a car passed at the outset to an employee through a credit sale agreement.

A vehicle was typically funded around the payment of tax-free AMAPs supported, if required by an additional 'top-up' payment or loan, on which income tax and National Insurance was due, if an employee's business mileage meant they could not meet the full cost of acquiring and running a car solely from AMAPs.

Employers wishing to run ECO scheme have always been advised to obtain HMRC approval and that has become increasingly critical amid a Government crackdown on 'contrived' schemes (see page 14).

In the 21st century ECO schemes have lost some of their pre-millennium popularity due to a number of factors, but notably including: administration complexity and a failure to obtain anticipated savings for both employees and employers.

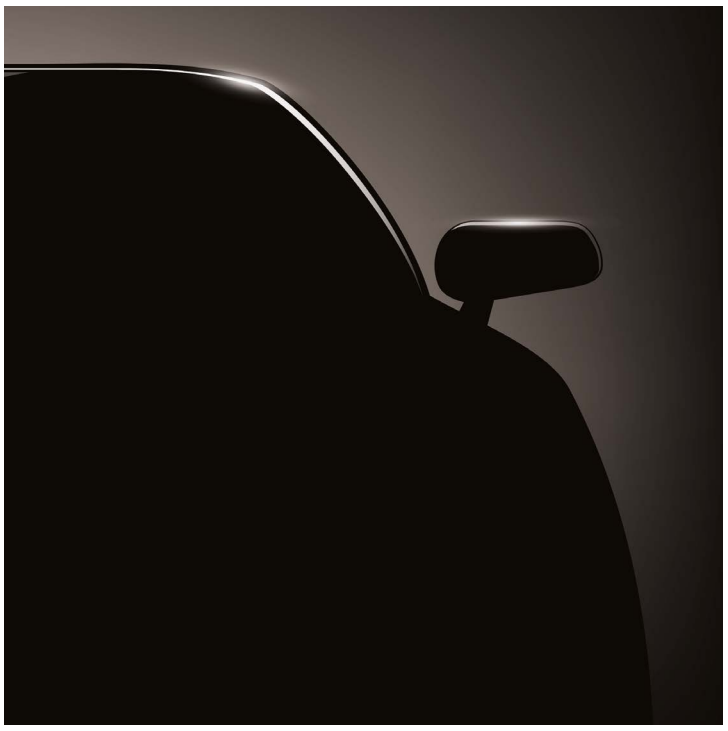
In addition, increasing corporate health and safety legislation covering at-work drivers has made employers' clearly responsible for the risk regardless of vehicle ownership thus also possibly impacting on ECO popularity (see 'grey fleet' page 18).

It should also be noted that ECO schemes are at their most efficient in a high company car benefit-in-kind tax environment and, for a spell, the tax burden for drivers was relatively 'low' taking away much incentive for such an employer initiative.

Although some employers still manage ECO schemes, nowadays they are more likely to form part of a blended car scheme, being operated alongside a traditional company car, cash allowance and salary sacrifice schemes.

However, against that background and the new company car benefit-in-kind tax system some experts believes ECO has a role to play provided they are structured in a way that does not fall foul of any HMRC crackdown on the use of loans to evade OpRA rules (see page 16).

The 'grey fleet' conundrum must not leave businesses with *risk and cost exposure*



Industry estimates suggest there are more than 14 million 'grey fleet' cars – privately-owned vehicles driven on company business – on the UK's roads.

What's more that figure is growing annually as benefit-in-kind tax returns to HMRC show that the number of company cars on the UK's roads has declined annually over the last decade or more – and continues to do so fuelled by growth in the number of employees opting for a cash allowance in lieu of a company car.

But, whether 'grey fleet' drivers are long-established, or the 'new breed' that have almost certainly used a cash allowance to fund a car via a private Personal Contract Hire (PCH) or Personal Contract Purchase (PCP) agreement, they must still be managed by employers.

There are two clear reasons why: one is health and safety as legislation says that employers have the same duty of care for 'grey fleet' drivers as they do for company car drivers; the second reason is the cost of the 'grey fleet' with employees reimbursed for business mileage – the tax- and National Insurance-free AMAP rate is 45p for the first 10,000 miles and 25p thereafter – but some employers pay more, particularly in the public sector.

Yet frequently employers are taking the view that the company car regime is now too burdensome – particularly with the advent of OpRA rules – and employees that benefit-in-kind tax bills are too expensive and so are opting into the 'grey fleet' arena with little or no knowledge of the implications.

Many employers, wrongly, take the view that 'grey fleet' cars are 'out of sight and therefore out of mind' and thus ignore their risk exposure in the event of such a vehicle being involved in a crash or a driver being prosecuted for a motoring offence that could also implicate businesses under 'cause and permit' regulations.

Equally, in an era of corporate social responsibility and a desire by businesses to reduce their environmental impact and carbon footprint, industry evidence suggests that employees' own cars have CO2 emissions significantly higher than company cars.

It should also be remembered that under the Energy Saving Opportunity Scheme (ESOS), every organisation – public sector employers do not usually need to comply – with more than 250 staff or a turnover above €50 million must assess and report to the Environment Agency its overall energy usage and that includes 'grey fleet' as well as company-provided vehicles.

What's more, 'grey fleet' use can also be used as an excuse by employees to clock-up so-called 'unnecessary' journeys thereby increasing their business mileage reimbursement amounts and supplementing their salary.

Industry commentators suggest that a maximum 5,000 business miles per annum is a critical benchmark for 'grey fleet' usage. Consequently, any employee clocking up more business miles should either be at the wheel of a company car or another company-provided vehicle – pool car, hire car etc – or use one of the myriad of mobility solutions including public transport, or car club (see BMaaS page 20).

Latest data from the BVRLA, of which Venson Automotive Solutions is a member, suggests that the company car fleet is the cleanest on the road. Its Q1 2019 leasing survey revealed that while average CO2 figures for new leased cars had risen to a five-year high – 118g/km – the contrast between emissions for new PCH and business contract hire (BCH) vehicles was a stark one, with PCH cars hitting 137g/km and BCH cars coming in at 116g/km.

Average CO2 emissions for all leased cars has risen 7% since early 2017 and was set to carry on rising due to the increasing share of petrol and personal lease vehicles and as the inflationary impact of WLTP emissions testing took effect with more new cars taking to the roads, according to the BVRLA.

The average new PCH car emits 18% more CO2 than its company car equivalent, according to the BVRLA. It also points to the revised company car benefit-in-kind tax regime making it easier for fleet operators and drivers to make the 'right vehicle choices' as the reason for the disparity in CO2 emissions between PCH and BCH cars.

Fleet decision-makers' organisation ACFO added: **"Migration away from company-provided cars to privately sourced cars is shown to increase CO2."**

It also highlighted that such moves hit the Government's environmentally-focused 'Road to Zero Strategy'. ACFO continued: **"There is evidence that where a cash allowance is available, that cash is often not wholly used to fund a vehicle but was, instead, used on other expenses.**

"Should employees have the option to return their company car, it is reasonable to assume that when making their own arrangements, they are unlikely to purchase or lease a brand new vehicle. Older, more polluting vehicles are likely to be used and few companies are willing to force drivers into cars that would be similar to what they may have chosen under a company car scheme."

ACFO also highlights that despite the upwards trend of company car benefit-in-kind taxation drivers "should focus on value rather than cost" of a company car pointing out that running a similar car privately was significantly more expensive.

Meanwhile, the Driving for Better Business (DfBB) campaign, the core element of the Highways England business outreach programme, which is managed by RoadSafe, which aids the Department for Transport's ambition to support and promote good practice in safer fleet management and occupational road safety as set out in the Government's road safety statement, recently published a report on 'Running a Grey Fleet' – https://www.drivingforbetterbusiness.com/resources/dfbb-publications/grey-fleet-review/

The 'leadership report' highlighted numerous "worrying failings" across senior management of organisations in their knowledge and actions in dealing with the 'grey fleet'. They included, according to a survey of more than 250 executive directors and more than 1,000 drivers:

- **60% of leaders not knowing the size of their 'grey fleet'**
- **53% thinking it wasn't their responsibility – but it is**
- **34% of 'grey fleet' drivers never having had their driving licence checked**
- **33% not having cover for business journeys on their car insurance**
- **74% of drivers not doing proper vehicle and tyre checks.**

Numerous industry surveys over many years have highlighted similar huge weaknesses in 'grey fleet' management, particularly in respect of duty of care thereby exposing employers to huge safety risks.

Nevertheless, DfBB concludes that **"there is no doubt that 'grey fleet' has a role to play in keeping the wheels of industry and the public sector turning provided employer risks and obligations are fully understood, and it is managed properly".**

But, said Simon Turner, campaigns director of RoadSafe, in a recent ACFO webinar on 'grey fleet' management: **"I see a lot of inconsistency in the way many companies, of all sizes approach 'grey fleet'.**

"That includes small ones that get it right, and well-known larger ones who are getting it wrong or ignoring it completely. Who owns the car is largely irrelevant as the duty of care to manage occupational road risk is the same, so the management procedures to deal with that risk should be the same as well."

The reasons for "poor management" of 'grey fleet' vehicles were many and varied, explained Mr Turner, who said they included: Misunderstanding of both employers' and drivers' rights and obligations; a management fear of confrontation with drivers; a misplaced employer trust in drivers; or a lack of management commitment to provide the necessary resources.

Mr Turner said: **"Asking someone to drive for work brings certain obligations regarding a duty of care to manage the risk and, in law, these obligations are largely the same, whoever owns the vehicle, or however it is financed."**

Referring to a privately owned vehicle driven on business, he said: **"The company is, in effect, commandeering a private vehicle and using it as a de facto company car for the duration of the journey."**

Therefore, he said: Driver licence checks were essential, driver policies should be shared with 'grey fleet' drivers, just as they would be with a company car driver; similar driver profiling, assessment and training regimes should be in place as with company car drivers; vehicle roadworthiness monitoring should be undertaken including checks on the status of servicing, MoT and Vehicle Excise Duty; and business insurance – highlighted as being regarded as a 'misunderstood' issue by drivers and company bosses – should be in place.

If employers had not undertaken such checks and had no system in place for doing so, Mr Turner said: **"They could be guilty of causing and permitting an offence. Employers need to take this risk seriously."**

In the same webinar, ACFO warned that mileage reimbursement claims could be a 'tax-free goldmine' for drivers if employers failed to undertake checks.

Industry research has suggested that business mileage claims by own-car drivers could trigger an overpayment of 25% prompting James Pestell, ACFO digital secretary, to say: **"All mileage claims must go through a mileage capture system to see who is claiming and to identify 'grey fleet' usage."**

What's more, HMRC has handed out fines and penalties totalling hundreds of thousands of pounds to businesses after investigations revealed inadequate business and private mileage record keeping.

Claimed to be in the 'top 10 risk areas' of employment tax compliance management, HMRC inspectors will typically analyse records for the current and previous tax year, and will typically treat them as being representative of what has happened previously. Usually a sample of 10-20 vehicle/driver records will be analysed with mileage claims checked against an online route planner. The number of inaccuracies found will then be reflected across the vehicle/driver population when calculating penalties due.

For example, if it was discovered that two out of 10 drivers had made errant claims, HMRC would work on the basis that 20% of all payments were incorrect and apply penalties accordingly. Businesses could appeal, but would have to demonstrate that all other drivers' claims were compliant.

HMRC can levy a fine on a business of up to £3,000 per annum per employee for an incorrect tax return.

Inspectors can also determine whether the inaccuracy was "careless", "deliberate but not concealed" or "deliberate and concealed" and will link a penalty for each offence as a percentage of 'potential lost revenue' – up to 30%, up to 70% and up to 100% respectively. That could involve unpaid tax going back four years, unpaid National Insurance going back six years, lost interest on those sums as well as a late payment penalty and if negligence is proven then penalties could apply over a 20-year period.

Numerous offences have been uncovered by tax inspectors relating to poor company car and 'grey fleet' mileage record keeping in a number of areas including:

- **Employees over estimating business mileage by an average 25% with their employer having no auditable evidence – postcode to postcode or to and from an actual address – of a journey taking place.**
- **"Positive rounding" with employees inflating business mileage so recorded trips usually end in '0' or a '5'.**
- **Following introduction of a salary sacrifice car scheme, employees continue to claim business mileage at their employer's private car used on business journey rate and don't switch to the lower company car Advisory Fuel Rate.**

Mr Pestell, national sales manager, IFC Group, which includes Vertivia, a mileage capture system, said: **"Having a mileage capture system in place can be cost neutral because non-accountable reporting of business mileage means companies could be haemorrhaging money. Five miles saved per driver per month when reimbursing at 45p a mile [the tax-free Approved Mileage Allowance Payment for the first 10,000 business miles] covers the cost of the solution."**

Furthermore, he claimed: **"Many companies do not provide the same financial scrutiny of 'grey fleet' mileage costs as they do company car costs."** That prompted Mr Turner to suggest: **"It's a tax-free goldmine for drivers if employers don't monitor claims."**

In addition to direct cost savings from introducing a mileage capture system, Mr Pestell highlighted numerous other benefits including: Indirect cost savings as a result of a streamlined mileage expense claims regime and reduced administration and paperwork; compliance with HM Revenue and Customs' reporting rules; and duty of care compliance due to in-built prompts and alerts.

Highlighting that at a time when businesses were increasingly analysing employee mobility and the use of car clubs and car hire as well as video conferencing and public transport as alternatives to vehicle use, Mr Pestell continued: **"Data and information are key. Without mileage capture a company does not know the true cost of 'grey fleet' as well as company car use and other options may be more cost effective.**

"Mileage capture can provide opportunities and benefits as well as significant savings relating to both the company vehicle and 'grey fleet' populations."

Mr Turner concluded: **"Often 'grey fleet' falls between HR and fleet with neither understanding it properly nor wanting to take responsibility. The end result is that drivers are not managed properly, the correct policies are not implemented and drivers do not provide the correct information."**

ACFO's top tips on 'grey fleet' management

- **Ownership of the vehicle asset is irrelevant – whether company-provided or privately-owned an employer's duty of care is identical.**
- **Every company should understand that they have 'grey fleet' activity. For some it will be restricted or even prohibited but controls must still be strong to ensure that rule is followed.**
- **Employers should know their 'grey fleet' usage. Identify by using data from expenses and anecdotal or survey information to obtain awareness and understanding of the type of 'grey fleet' usage occurring.**
- **Businesses must understand why 'grey fleet' usage exists. It is not just about the obvious (cash takers) but there is likely to be other ad hoc usage – why are employees using their own car versus other modes of transport or a pool/hire car? Are there unique operational challenges that mean that 'grey fleet' is the 'easiest' option?**
- **Employers must identify how they can control 'grey fleet' usage to ensure it is appropriate and adequately controlled. Could they include information within induction training to highlight rules? Can a 'permit to drive' or similar be introduced to ensure that only those who've been checked/assessed are permitted to use their own vehicle?**
- **Employers should consider what preventative and detective measures they can implement to ensure that they conduct ongoing, tracked controls plus measures to detect any unauthorised usage.**
- **Training and awareness. 'Grey fleet' usage can be cultural and historical, therefore a programme of employee – and especially line manager – communications may be required to ensure all employees understand what is required and ideally to avoid 'grey fleet' usage wherever possible.**
- **Employers should consider the impact on individual employees. Where 'grey fleet' usage may be occurring amongst younger or inexperienced drivers, there can be issues with insurance premiums – adding business cover – so consider that as employers may find that some employees have not insured themselves for business use due to the uplift in their insurance. The AMAP rate is designed to cover all costs, but some premiums can be increased considerably and then the rate to be claimed may not cover the additional cost.**

More than a decade ago, RoadSafe's quarterly magazine (summer 2008) declared that "company directors allowing staff to drive their own cars on business are walking a health and safety tightrope and must face up to the single biggest risk facing their organisations". In 2019 it seems that, in many cases, little has changed.

- ACFO webinars on a range of key fleet-related issues are exclusively available for members to listen to. To join ACFO go to: https://www.acfo.org/

New business mobility models take employers on a travel revolution

Fleet decision-makers are increasingly being urged to focus on adopting Business Mobility-as-a-Service (BMaaS), which describes a shift away from company or privately owned and operated modes of transport, such as company cars, vehicle salary sacrifice schemes and private cars reimbursed for business use, towards mobility solutions that are consumed as a service.

Indeed, in December 2018 the House of Commons Transport Select Committee published a report on Mobility-as-a-Service (MaaS) following an inquiry. It concluded that the Government should take an active and direct lead in supporting the development of new digital platforms for planning journeys to ensure a 'travel revolution'.

The ultimate aim of BMaaS is that employees using digital devices would select the most appropriate mode of travel, which includes public transport, and pay for journeys to meet personal and business circumstances.

Digital platforms are already available to support BMaaS development across the corporate sector with supporters claiming that businesses can cut travel costs and share some of the savings with employees to drive cultural change by focusing on the 'total cost of mobility' – understanding the full cost of employees travelling from A to B – rather than a fleet-based total of cost of vehicle ownership model.

Two of the key drivers behind focusing on BMaaS, in addition to driving down the cost of corporate travel, is to deliver an increasing array of benefits to all employees, not only recipients of company cars, and to cut corporate carbon footprints.

In short, the worlds of fleet management and travel management are colliding at a rapid rate driven by technology and 'big data' that underpins BMaaS.

Peter Eldridge, director of fleet decision-maker training organisation ICFM, said: **"The business model is shifting to car services because of 'big data'. The industry is moving from being asset – the vehicle – driven to be focused on employees and their movements. Massive momentum is being built so fleet managers need to think about their operational model."**

A new report from the BVRLA and advisory firm Global Counsel, urges policymakers to consider a growing range of car use options, taking account of the different urban environments in which people travel and the needs of those making journeys.

Called 'Cars in the City'- https://www.bvrla.co.uk/resource/bvrla-cars-in-the-city-report.html – the report analyses 'smarter' use of cars with fewer vehicles parked for hours on end at the kerbside and in company car parks.

Promoting the idea that 'a car' is not one mode of transport, the report highlights that a growing number of business models, from car clubs to subscription models, give employers the ability to make different choices depending on their specific needs.

The report continues: **"While many employers see car ownership as the only option, this new spectrum of options will change our relationship not just with the car, but with mobility more broadly. It will unlock more flexible journeys, which involve greater levels of walking, cycling and public transport, and where the car is used in a more thoughtful, considered way."**

The myriad modes of alternative car use to company or private ownership include:

- **Taxi and private hire – the hailing (taxi) or booking (private hire) for trips priced by a combination of miles travelled and time taken.**
- **Car club – typically charged by the hour or mile (or both), in addition to a subscription, some car clubs require cars to be returned to where they were picked up (round trip), others allow drop off at any qualifying station (point-to-point) and some allow cars to be picked up and dropped off anywhere in the qualifying area (free-floating).**
- **Daily rental – the traditional format of renting from a provider at their location or having a rental car delivered to a specific location. Pricing is usually on a one-off, single-free basis per day or part-day, excluding fuel and insurance excesses.**
- **Peer to peer rental – where individuals rent their privately-owned cars to others, via a match-making platform or club. Some providers allow small businesses to rent out their existing fleet and some providers combine platform-owned cars with those owned by individuals.**
- **Ridesharing – also called car-pooling, involves drivers giving up empty seats to individuals travelling to a similar destination. Liftshare – https://liftshare.com/uk – claims to be the largest ride-share scheme in the UK.**
- **Subscription – sitting between rental and leasing it has been branded the 'Netflix for cars'. Most costs are bundled into a recurring monthly fee (eg: Insurance, service and maintenance, Vehicle Excise Duty and breakdown recovery), like rental, but on a longer term (eg: 12 month) basis. The BMW Group and Volkswagen have each launched a UK subscription service with London-based start-up Drover – https://www.joindrover.com/.**

Focusing on the newer forms of car use, the report highlights:

- **Around 1% of adults (almost 500,000) in the UK say they use a car club, but the report estimates membership could reach 750,000 by 2025, without supportive policy and funding, or 3.3 million with supportive policy and funding.**
- **Subscription is a new form of car usership and there were around 5,000 subscribers in the UK, but numbers were growing quickly. It forecasts that subscription is expected to account for 10% of new car transaction by 2025 – around one million cars.**
- **Three peer-to-peer rental providers have a combined 165,000+ members and 4,500+ cars in the UK, primarily in London.**
- **Around a quarter of people are aware of digitally-based ridesharing, but just 1% say they use such services.**

The report says: **"These new modes of car travel create the opportunity to reduce the number of cars on the road and reduce the number of journeys by car – while retaining the unparalleled flexibility offered by car travel."**

A further option is flexible rental, which Venson Automotive Solutions already offers clients through its business partnership with Europcar. Known as Advantage – https://www.europcar.co.uk/business/advantagelongtermhire – it is a product for hires over 84 days with no upfront costs and single or consolidated invoicing.

Targeted at businesses where there is a requirement for short to-medium term rental it can also be an alternative option to 'grey fleet' use in a variety of circumstances including: For contract workers and seasonal demands,

particularly for temporary sales staff recruited to launch new products; vehicle provision for new staff during the completion of a probationary period of employment; employees visiting a UK-based business from sister companies located elsewhere in the world; and companies with no pool vehicles requiring occasional vehicles.

Mr Eldridge said companies that embraced BMaaS could look to set a mobility budget for each employee that would influence the mode of transport they took – company car, car club, car share, car hire, public transport or whatever – based on a range of factors including fitness-for-purpose, cost, convenience and safety. Employees would then be able to access travel options via their own portal, make bookings and keep a track of their budget. For example, how many fleet managers offer an employee a car allowance to then see them claim for train travel?

He continued: **"The journey to mobility on demand is occurring very quickly. That changing landscape and how the unprecedented stream of information with the arrival of the 'connected car', the Internet of Things and the concept of BMaaS will help managers drive 'unbelievable efficiencies' across their businesses.**

"There is, absolutely, a role for fleet managers in this new world of BMaaS. But, almost certainly the job title of fleet manager will become redundant as those employees will be responsible for managing far more than simply company fleets.

"It is ICFM's belief that the 'old' job title of fleet manager will morph into a job of 'mobility manager' with that individual responsible for managing all employee journeys via a single access online platform. That will enable businesses to set a 'mobility budget' for individual staff – irrespective of whether or not they are entitled to a company car by virtue of their job.

"In that sense the traditional fleet manager will cease to exist because 'big data' use as a result of 21st century technology will enable better informed decisions to be made and the newly created mobility managers will become "less doing and far more strategic".

"It must also be remembered that vehicle travel and the company car is not so engrained in the psyche of younger employees today as it was in yesteryear.

"Via an online platform and individual employee mobility budgets mobility managers will be able to manage and steer employee behaviour by influencing their salary and reducing their own administration burden.

"The journey to business mobility on demand is occurring very quickly and if today's fleet managers do not make themselves available for the ride then their future is bleak. However, for those that do, an exciting new world awaits a million miles away from that of the old school fleet manager."

Critically, collecting fleet and travel information and managing data is business-critical to introducing effective mobility management policies, but too frequently employers have it contained within different silos.

True mobility management, believes ACFO, comes down to collecting data relating to: fleet and ground transportation, air, rail and hotel bookings and expenses payments – parking, tolls, subsistence plus individual items. All of that added together gives the business the total cost of a journey.

Justin Whitston, chief executive of BMaaS platform provider Fleetondemand told an ACFO seminar: **"BMaaS will underpin what drives future cost of smart mobility solutions. It brings together all forms of transport in one platform."**

He described how a single online platform could be used by organisations and their employees to "find, book and pay" for all travel and related costs, and said: **"BMaaS is taking the personal and business objectives and delivering the best mode of transport for each particular journey."**

ACFO's long-term vision is that employees should be provided with individual Mobility Cards by their employers that could be used to access all forms of travel, fed from an app that could plan and charge costs accordingly.

Mobility Cards issued to individual employees would enable them to select the most appropriate model of travel and pay for journey to meet personal and business circumstances, according to ACFO in its submission to the House of Commons' Transport Committee inquiry into MaaS.

ACFO has already stated in its 'Vision for the Future' that managers should measure the cost of each mile travelled and let technology dictate how that journey is actually made.

The organisation believes that a new breed of mobility manager would have that role truly enhanced with the wider adoption of a fully integrated MaaS operation.

ACFO told MPs in its submission: **"This could be crucial in the provision of general ground transportation for employees on company business. MaaS should be at the forefront of how businesses should be looking at travel to ensure they are using the best options for the journey, for environment, cost, safety and employee reasons."**

In advocating Mobility Cards, ACFO said it had seen numerous apps, for journey planning and ticket holding, from various business travel agents, as well as apps for recording and the submitting of expenses. But the ability of a company to join them together was "fairly rare", it added.

As a result, ACFO said: **"The support of Government towards a more integrated system will help businesses adapt and manage their mobility needs more effectively. Businesses are starting to understand the power and advantages that integrated technology can supply. But we feel that they cannot see the whole new world this could bring. This support and encouragement should have a marked environmental impact on journeys being made. The choices and range of services that these systems can provide should be embraced as the advantage for the country and communities as a whole will be dramatic."**

Conclusion

Some organisations, which include the BVRLA, trumpeted the Government's decision on benefit-in-kind tax as **"providing a welcome boost to the company car market".**

The reality is that for fleets able to accommodate 100% zero emission vehicles within their operations on whole life cost and fitness-for-purpose grounds – and drivers with a journey profile that is similarly accepting of this new breed of vehicle – then the company car tax clarity provided is indeed 'good news'.

Similarly, there is 'good news' for fleets and drivers that are able to take to the road in plug-in hybrid vehicles. But then the 'bad news' starts.

The adoption of WLTP CO2 emission figures for company car benefit-in-kind tax purposes will, in all likelihood – and models must be examined on an individual basis – spell 'bad news' for those choosing petrol and diesel vehicles.

That's because, notwithstanding a two percentage point cut in company car benefit-in-kind tax rates on cars first registered from April 6, 2020 compared to those registered before April 6, 2020 – before returning to planned rates over the following two financial years – the reduction is far from enough to outweigh the clear trend for CO2 emissions to be higher under WLTP rules than the previous regime.

What's more the impact of the four percentage point benefit-in-kind tax penalty on diesel cars that do not meet the RDE2 standard must also be taken into account.

Adding even more complexity is the fact that preliminary calculations in this paper show that even on presently available RDE2-compliant models the reduction in tax rates fails to wipe out the impact of WLTP. Therefore, if possible, the sensible choice to limit the tax burden would be to choose an RDE2-compliant diesel car and take to the road in it prior to April 6, 2020.

As ACFO chairman Carolina Sandall said: **"The reduction in rates for two years is unlikely to compensate drivers fully for the increase in emissions, although it will soften the blow."**

That is spot-on. But the reality is that while adoption of plug-in vehicles offer a shelter against higher company car benefit-in-kind taxation – as will to some extent the growing availability of RDE2-compliant diesel models – electric cars are not the answer for all. At least not yet.

Again, as ACFO highlights: **"Many company cars are 'job-need' with little vehicle choice. That means drivers of those vehicles, who in many cases will be high-mileage where the diesel option is best for operational purposes and possibly lower salaried, have no cash allowance option and so a limited opportunity to reduce, or control, their benefit-in-kind tax."**

The Government said in making its announcement that it 'recognised the value of the company car market in supporting the transition to zero emission technology'.

However, the reality is that while 'perk company car drivers may have a choice as to whether they go down the plug-in route or opt out of a company car, 'job-need' company car drivers are unlikely to have any such option.

Therefore, what may emerge over time is a split market. But, businesses should be very clear on what the ramifications of opting out of company cars are because, as this report has explained, 'grey fleet' may prove to be an even bigger cost as well as health and safety administration headache.

What is emerging, again as highlighted, is BMaaS. That for 'perk' company car drivers delivers travel choices and, simultaneously, provides employers with control over transport delivery.

Far from delivering clarity, the Government's company car benefit-in-kind tax announcement through to the end of the 2022/23 tax year has delivered added complexity to what has been a far from clear picture in recent times.

Venson Automotive Solution's top tips for fleet decision-makers

- Comprehensively review company car choice lists and profile driver journey and mileage usage per individual to arrive at the optimum solution on a car-by-car, driver-by-driver basis.
- Analyse 'perk' company car drivers to ensure that the 'right' vehicle funding mechanism is arrived at – continue with company car or switch to salary sacrifice, cash allowance, structured ECO scheme or another solution.
- Switch petrol and diesel company cars to zero emission electric and plug-in hybrid vehicles wherever possible to deliver minimum benefit-in-kind tax bills for drivers.
- Where diesel cars are a 'must' consider opting for an RDE2-compliant model and replace, if possible, prior to April 6, 2020 to enable drivers to make maximum tax savings.
- Similarly if selecting a petrol-engined company cars replace, if possible, prior to April 6, 2020 to minimise the tax burden as a result of WLTP emissions testing.
- Press motor manufacturers for WLTP CO2 model data so benefit-in-kind tax calculations on company cars can be made if registered after April 6, 2020 versus the tax burden before that date.
- If allowing 'grey fleet' usage analyse costs – a company car or another funding option may deliver better value for the business – and ensure that management is aligned to that of the company car fleet.
- Embrace the BMaaS revolution and see how you can morph from fleet decision-maker to a business mobility manager.

As always, Venson Automotive Solutions advises that expert financial and taxation advice should be taken before making any funding decisions.

For further information please contact Venson Automotive Solutions on 0330 094 7803, email info@venson.com or go to venson.com

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