



Pre Budget Report

- ▶ NIC contributions to rise to 1% from 2011
- ▶ Company car drivers using electric to pay zero BIK
- ▶ 100% WDA for electric vans
- ▶ Fuel charges to change for private fuel

Electric vehicles

“Exempting electric cars from company car tax is the biggest sign yet that electric technology is foremost in the government’s mind when it comes to reducing fleet emissions. The tax treatment of company cars is already based on the CO2 profile of individual models, but this step shows the government is looking at electric vehicles as the next step in this process.

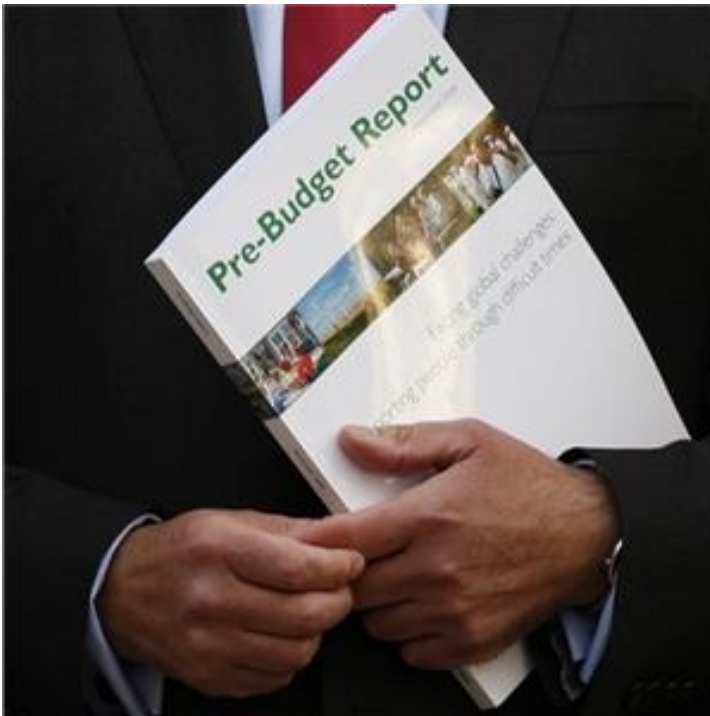
“The changes to capital allowances on electric vans is an interesting move. The principle behind it is laudable, but in practice it’s likely to make very little difference. Because of their low emissions, electric vans wouldn’t pay any capital allowances in their first year anyway. This seems to be more a statement of commitment to electric vehicles than a genuinely practical step to encourage lower emitting company vehicles.

“The same arguments remain around electric vehicles though. The government needs to work to get a great deal more infrastructure in place before these vehicles

are viable on a large scale. The Pre-Budget Report did highlight a scheme started in November this year to invest £30million on an electric vehicle charging infrastructure – an important step and hopefully one that will herald a number of similar initiatives.

“More also needs to be done to understand the technology surrounding the batteries themselves and where the electricity is coming from. Manufacturers have made great strides in improving the individual models, but if companies are to take this technology on board in significant numbers, it will take more than a tax break. Cost *needs* to be weighed against functionality and practicality.

“None of this is to say that electric vehicles won’t tick a lot of boxes for company fleets at some stage. It’s an incredibly promising area of development, and with the right focus could answer a lot of the questions currently being asked of business transport. At LeasePlan it is certainly an area where we are taking a very serious interest.”



Fuel benefit charges

“The government announced changes to the tax payable on free fuel claimed by employees. From April 2010, the multiplier used to calculate the tax payable will increase from £16,900 to £18,000 for cars, and from £500 to £550 for commercial vehicles. This is further evidence of the government’s commitment to using financial measures to instil environmental behaviours in company car drivers and would hint at a pre-cursor to the EC plans to cut the carbon output of vans

“On a practical level, it is another indication that companies should be taking a serious review of the need to pay for any employee’s private fuel and whether this is actually still a benefit to them.

National Insurance Changes

“Employers were aware of the planned increases to National Insurance Contributions of 0.5% from April 2011 on both employer and employee NIC. They will be disappointed to see that the increase will now be 1% on each.

“The change will make it more expensive to employ people from April 2011, and will be an extra burden on a workforce likely to still be in the relatively early stages of economic recovery. The effect will be felt across the company car eligible community - increased employee and employer NIC costs will have a knock-on impact on the company car benefit in kind charge. For the cash taker community the NIC bill on the cash value will increase.

“These proposed changes will make it even more important to consider a ‘Whole Life Cost’ approach to the setting of car and cash entitlements if the impact is to be minimised for the employer.”

For further information regarding these changes please speak to your dedicated Account Manager.