



Emission possible for clean-thinking fleets



120g/km cars lead to a variety of financial savings

BY JOHN MASLEN

If money talks then the finances of companies throughout Britain are shouting at managers to ensure they switch to low emission cars.

Choosing cleaner vehicles isn't just good for the environment, it's great for the balance sheet as millions of pounds of incentives are now directed at firms with cars that hit key CO₂ targets.

In this summary, we identify the major areas where less CO₂ means more savings.

FREE FUEL FOR PRIVATE MILEAGE

Company car drivers who benefit from free fuel for private mileage will pay tax based on a value of £16,900 for the 2008/09 tax year, up from £14,400 for 2007/08.

Drivers pay tax (either 20% or 40% from 2008/09) on a percentage of this value according to the CO₂ emissions of their cars.

The taxable amount has now reached such a level that it is the equivalent to having a well-specified second company car.

The advice of most experts is to ditch free fuel and reimburse for business fuel at the HM Revenue & Customs Approved Mileage Rates, as only those with the highest private mileages will see any benefit.

CAPITAL ALLOWANCES

Capital allowances allow companies to offset the cost of items used in the running of their business against their tax bill.

Currently, capital allowances on company cars work in two ways, with vehicles under £12,000 written down in a general pool, while vehicles of £12,000 and over are treated individually and their annual writing down allowance is capped at £3,000.

When cars costing over £12,000 are leased, a proportion of their rentals is disallowed up to a maximum of 25%.

But from April 1, 2009 for corporation tax purposes (April 6 for income tax) the capital allowance treatment will be reformed.

VEHICLE EXCISE DUTY

The humble tax disc is at the frontline of the battle against CO₂ emissions.

The Government already encourages buyer to opt for cleaner cars with increased road tax bills for higher polluting cars, but from next year it will take a tougher approach.

New first year penalties and

incentives will be introduced which slash road tax to zero for some of the cleanest vehicles, but push it up to nearly £1,000 for the highest polluters.

In future years, this banding system will be used to spread the financial gap between the cleanest and the thirstiest models on the roads.

CURRENT SYSTEM

CO ₂ emissions (g/km)	2008-09 tax	Tax band
Up to 100	£0	A
101-120	£35	B
121-150	£120	C
151-165	£145	D
166-185	£170	E
Over 186	£210	F
Over 226	£400	G

NEW SYSTEM

CO ₂ (g/km)	09-10	From 2010-2011		Band
		1st year	2nd year & after	
Up to 100	£0	£0	£0	A
101-110	£20	£0	£20	B
111-120	£30	£0	£35	C
121-130	£90	£0	£95	D
131-140	£110	£115	£115	E
141-150	£120	£125	£125	F
151-160	£150	£155	£155	G
161-170	£175	£250	£180	H
171-180	£205	£300	£210	I
181-200	£260	£425	£270	J
201-225	£300	£550	£310	K
226-255	£415	£750	£430	L
Over 255	£440	£950	£455	M

Expenditure on cars with CO₂ emissions above 160g/km will attract a 10% Writing Down Allowance (WDA) and expenditure on cars with 160g/km or below will attract 20% WDA.

The rules affecting leased cars are reformed in line with the new capital allowances rules. From April 2009, leased cars emitting more than 160g/km will have 15% of the relevant payments disallowed.

Cars at or below 160g/km have no disallowance.

Details are still being finalised, but the move means that vehicles producing CO₂ at 160g/km or less are suddenly much more tax

efficient for a company, as more of their value can be offset against tax more quickly. In addition to this, the 100% first year allowance for the cleanest cars will be extended from March 31, 2008 to March 31, 2013. The qualifying CO₂ emissions threshold will be reduced to 110g/km.

CONGESTION CHARGING

From October 27 changes to the London congestion charge will offer a 100% discount to cars that emit 120g/km of CO₂ or less.

See over the page for five pages of listings containing key information on all the sub-120g/km cars on sale in the UK.

BENEFIT-IN-KIND TAX

Benefit-in-kind tax for company cars is based on CO₂. Drivers pay tax at their higher rate (20% or 40% from 2008/09) on a percentage of the value of the car based on a table of CO₂ emission figures. So the more you pollute, the more you pay.

From April 6, a new 10% tax band has been introduced for cars producing 120g/km or less, with a 3% supplement for diesels.

Just a few years ago, this would have condemned driver to a life of misery on the motorways in a city car, but technology has moved on so quickly that drivers can opt for larger cars and still enjoy low taxes.

Watch out for new launches that hit this benchmark over the next 12 months, including some cars for which figures weren't available at

the time of going to press, such as the Hyundai i10 and SEAT Leon Ecomotive.

Drivers can also enjoy savings by opting for hybrids which have some of the lowest emissions.

Employers pay Class 1A National Insurance Contributions (NIC) on the value of the benefit employees receive. Therefore, if employees cut their tax bill by choosing low-emission cars, the employer benefits, too. In many cases, switching to a low-emission fleet can slash NIC costs by thousands of pounds.

No announcement has been made by the Government on how long this special rate will last, although there are suggestions that it could be reduced to 110g/km in future Budgets.

TAX BANDS 2008/9

CO ₂ in g/km*	Taxable		CO ₂ in g/km*	Taxable	
	Petrol	Diesel		Petrol	Diesel
120 and below	10%	13%	185	25%	28%
121 to 139	15%	18%	190	26%	29%
140	16%	19%	195	27%	30%
145	17%	20%	200	28%	31%
150	18%	21%	205	29%	32%
155	19%	22%	210	30%	33%
160	20%	23%	215	31%	34%
165	21%	24%	220	32%	35%
170	22%	25%	225	33%	35%
175	23%	26%	230	34%	35%
180	24%	27%	235	35%	35%

* Bands remain the same for 2009/10 but in 2010/11 the 15% band will be moved down 5g/km along with all bands above it, meaning the starting rate for the tax will be 130g/km.