Volkswagen Company Car and Van Tax Guide 2014/2015.

Das Auto.

Budget 2014 headlines

The coalition Government's fifth Budget statement contained a number of announcements impacting on the UK company car and van market. These are:

– Company car benefit-in-kind tax (BIK) thresholds revealed for 2017/18 and 2018/19. Rates are now known for the next five financial years

– The appropriate percentage of list price subject to tax will increase by two percentage points for cars emitting more than 75g/km of carbon dioxide (CO_2), to a maximum of 37%, in 2017/18 and 2018/19

– The appropriate percentage of list price subject to tax for cars with emissions of 0-50g/km will rise from 7% in 2016/17 to 9% in 2017/2018 and to 13% in 2018/19

– The appropriate percentage of list price for cars subject to tax with emissions of 51-75g/km will increase from 11% in 2016/17 to 13% in 2017/18 and to 16% in 2018/19

– The Government will review incentives for ultra-low-emission vehicles at Budget 2016, to inform decisions on company car tax from 2020/21 onwards

– Inflation-linked increases to car and van Vehicle Excise Duty from 1 April, 2014

– The previously announced 1.6p per litre + VAT fuel duty increase due on 1 September, 2014, is cancelled

– Car fuel benefit charge to rise from £21,100 in 2013/14 to £21,700 in 2014/15 and by inflation in 2015/16

– Van benefit charge to rise from £3,000 in 2013/14 to £3,090 in 2014/15 and by inflation in 2015/16

– Van benefit charge support for zero emission vans is to be extended to 5 April, 2020, on a tapered basis. From 2015/16, the charge paid by zero-emission vans (0% in 2014/15) will be 20% of the rate paid by conventionally fuelled vans, followed by 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020/21

– Van fuel benefit charge to rise from £564 in 2013/14 to £581 in 2014/15 and by the inflation rate in 2015/16

– Enhanced capital allowances on zero-emission goods vehicles extended to April 2018, but allowance availability limited to businesses that do not claim the Government's Plug-in Van Grant. For more information, visit www.gov.uk/plug-in-car-van-grants

– No changes in car capital allowances or lease rental restriction rules

– Main rate of corporation tax is cut from 23% in 2013/14 to 21% in 2014/15 and to 20% in 2015/16

– No change in Class 1A National Insurance rates

– No change in tax-free Approved Mileage Allowance Payment (AMAP) rates

Golf: official Government fuel consumption figures in mpg (litres per 100km): Urban 30.1 (9.4) - 74.3 (3.8), Extra Urban 47.9 (5.9) - 94.2 (3.0), Combined 39.8 (7.1) - 88.3 (3.2). CO_2 emissions 165-0g/km.

Vehicle Excise Duty (VED)

On 1 April, 2014, VED – most standard rates and first-year rates – increased in line with the rate of inflation (see chart, page 4).

However, standard rates for cars emitting up to 120g/km of CO_2 were frozen.

Additionally, first-year rates for cars emitting up to 130g/km remain at £0. The Budget papers confirmed that, as announced in last year's Autumn Statement, in a bid to simplify VED administration a paper tax disc will no longer be issued and required to be displayed on a vehicle's windscreen from 1 October, 2014.

The Government will introduce a rolling 40-year VED exemption for classic vehicles from 1 April, 2014. That means vehicles constructed 40 or more years ago will be exempt from VED on an automatic rolling basis on 1 April each year.

Vehicle Excise Duty from 1 April, 2014, for cars registered on or after 1 March, 2001

VED band	CO_2 emissions (g/km)	2014/2015 First year rate*	2014/2015 Standard rate*
A	Up to 100	£0	£0
B	101-110	£0	£20
C	111-120	£0	£30
D	121-130	£0	£110
E	131-140	£130	£130
F	141-150	£145	£145
G	151-165	£180	£180
H	166-175	£290	£205
I	176-185	£345	£225
J	186-200	£485	£265
K**	201-225	£635	£285
L	226-255	£860	£485
M	Above 255	£1,090	£500

* Alternative fuel discount of £10 applies to all cars

** Includes cars emitting more than 225g/km registered before 23 March, 2006

Company car tax 2014/15 to 2018/19

The Government confirmed previously announced company car benefit-in-kind tax rates for all cars up to the end of 2016/17.

It then announced company car tax rates for the following two financial years – 2017/18 and 2018/19 – meaning thresholds for a full five years are now known.

– In 2017/18 and 2018/19 the appropriate percentage of list price subject to tax will increase by two percentage points for cars emitting more than 75g/km of CO_2, to a maximum of 37%

– But the Government has changed its view in relation to the two lowest thresholds – 0-50g/km and 51-75g/km – and altered the differential between those rates and the 76-94g/km threshold

– In Budget 2013, it was announced that the differential between the 0-50 and 51-75g/km CO_2 bands and between the 51-75 and 76-94g/km bands would be three percentage points in 2017/18

– However, in Budget 2014 it was announced the differential reduction would be delayed by a year so would be four percentage points in 2017/18, three percentage points in 2018/19 and two percentage points in 2019/20

Additionally, the Government says it remains committed to reviewing incentives for ultra-low-emission vehicles in light of market developments at Budget 2016, to inform decisions on company car tax from 2020/21 onwards.

Historically, only benefit-in-kind tax rates for three years, and occasionally four years, in advance have been known.

However, as businesses have moved to longer replacement cycles, employees did not know what their benefit-in-kind tax bills would be in their final year or two.

The Government's decision to publish tax rates for a full five years – 2014/15 to 2018/19 – enables fleet decision-makers and company car drivers to select vehicles in the full knowledge of what their future tax liability will be.

Company car tax 2014/15 to 2018/19

% of P11D Price	2014/15 CO_2 (g/km)	2015/16 CO_2 (g/km)	2016/17 CO_2 (g/km)	2017/18 CO_2 (g/km)	2018/19 CO_2 (g/km)
0	0	N/A	N/A	N/A	N/A
5	1-75	0-50	N/A	N/A	N/A
7	N/A	N/A	0-50	N/A	N/A
9	N/A	51-75	N/A	0-50	N/A
10	N/A	N/A	N/A	N/A	N/A
11	76-94	N/A	51-75	N/A	N/A
12	95-99	N/A	N/A	N/A	N/A
13	100-104	76-94	N/A	51-75	0-50
14	105-109	95-99	N/A	N/A	N/A
15	110-114	100-104	76-94	N/A	N/A
16	115-119	105-109	95-99	N/A	51-75
17	120-124	110-114	100-104	76-94	N/A
18	125-129	115-119	105-109	95-99	N/A
19	130-134	120-124	110-114	100-104	76-94
20	135-139	125-129	115-119	105-109	95-99
21	140-144	130-134	120-124	110-114	100-104

– Up to the end of tax year 2014/15 add 3% for diesel cars up to a maximum of 35%

– For tax year 2015/16 add 3% for diesel cars up to a maximum of 37%

% of P11D Price	2014/15 CO_2 (g/km)	2015/16 CO_2 (g/km)	2016/17 CO_2 (g/km)	2017/18 CO_2 (g/km)	2018/19 CO_2 (g/km)
22	145-149	135-139	125-129	115-119	105-109
23	150-154	140-144	130-134	120-124	110-114
24	155-159	145-149	135-139	125-129	115-119
25	160-164	150-154	140-144	130-134	120-124
26	165-169	155-159	145-149	135-139	125-129
27	170-174	160-164	150-154	140-144	130-134
28	175-179	165-169	155-159	145-149	135-139
29	180-184	170-174	160-164	150-154	140-144
30	185-189	175-179	165-169	155-159	145-149
31	190-194	180-184	170-174	160-164	150-154
32	195-199	185-189	175-179	165-169	155-159
33	200-204	190-194	180-184	170-174	160-164
34	205-209	195-199	185-189	175-179	165-169
35	210+	200-204	190-194	180-184	170-174
36	N/A	205-209	195-199	185-189	175-179
37	N/A	210+	200+	190+	180+

– In 2016/17 petrol and diesel cars are treated equally for company car tax purposes

Capital allowances and lease rental restriction

The 2014/15 thresholds for capital allowances on cars bought outright are:

– Vehicles up to 95g/km: Companies can write down the full cost against their taxable profits

– Vehicles emitting 96-130g/km: Companies can write down 18% of the cost of the car against their taxable profits each year, on a reducing balance basis

– Vehicles above 130g/km: Companies can write down 8% of the cost of the car against their taxable profits each year, on a reducing balance basis

Additionally, leasing companies cannot claim 100% first-year writing-down allowance on cars with emissions up to 95g/km. Instead they are restricted to 18% (0-130g/km) and 8% (from 131g/km) on a reducing balance basis. However, rules will change in 12 months' time if the Government introduces a series of already announced measures:

– An extension of the 100% first-year allowance due to end 31 March, 2015, for a further three years to 31 March, 2018

– From 1 April, 2015, the CO_2 threshold at which the 100% allowance applies will reduce from 95g/km to 75g/km

Additionally, it is expected that Budget 2016 will review the case for extending the full-year allowance beyond 1 April, 2018, alongside a review of the 130g/km main rate threshold (18%), with any amendments taking effect from 1 April, 2018.

Calculating capital allowances and lease rental restrictions
The Government's decision to cut corporation tax from 23% in 2013/14 to 21% in 2014/15, with a further cut to 20% in 2015/16, will deliver cash savings to businesses on leased cars and cars bought outright.
The examples on the following page highlight the savings in 2014/15 of a car with emissions of 96g/km and 131g/km compared with 2013/14.

Volkswagen CC: official Government fuel consumption figures in mpg (litres per 100km): Urban 26.2 (10.8) - 49.6 (5.7), Extra Urban 47.9 (5.9) - 72.4 (3.9), Combined 36.7 (7.7) - 61.4 (4.6). CO_2 emissions 179-120g/km.

Lease rental restriction
Since 1 April, 2013, leased cars have been treated in one of two ways:

– Cars with emissions up to and including 130g/km face no lease rental restriction, meaning that the cost of the lease is fully deductible against taxable profits

– Cars with emissions of 131g/km or more face a 15% restriction, meaning companies can only deduct 85% of any rental payments against their taxable profits

Example 1 – outright purchase

Vehicle price: £20,000
CO_2 emissions: 96g/km
Writing-down allowance: 18%

2014/15 (2013/2014 in brackets)
Corporation tax: 21% (23%)
Tax relief: £20,000 x 18% x 21% = £756 (£828)
Tax written-down value carried forward = £16,400 (£16,400)

Example 2 – lease

Monthly rental: £400 (£4,800 pa)
CO_2 emissions: 131g/km

2014/15 (2013/14 in brackets)
Lease rental restriction: 85% (85%)
Corporation tax: 21% (23%)
Annual cost deducted against profits: £4,800 x 85% = £4,080 (£4,080)
Tax relief: £4,080 x 21% = £857 (£938)

2015/16
Corporation tax: 20%
Tax relief: £4,080 x 20% = £816

Efficiency and economy across the Volkswagen range

Cars offering exceptional economy and low emissions twinned with great performance are available across the Volkswagen range and are badged BlueMotion and BlueMotion Technology.

BlueMotion models offer businesses the highest level of economy and are available in the Golf, Golf Estate, Passat and Passat Estate ranges.

Those models feature the full complement of Volkswagen's innovative energy-saving technologies, from automatic start-stop and battery regeneration systems to low rolling resistance tyres, which work in synergy with advanced common rail diesel engines and gearboxes to cut fuel consumption and reduce emissions. Other fuel-saving features include enhanced aerodynamics and modified engine management systems and gear ratios to further improve economy.

The breadth of BlueMotion Technology modifications varies between model ranges, but may include a stop-start function, battery regeneration and a multifunction computer which displays visual gear change recommendations for optimum fuel economy.

Volkswagen is also taking efficiency and CO_2 reduction to new levels with the introduction of the first fully electric vehicle to the range – the e-up! – which will be followed by the e-Golf in mid-2014.

Extending the range even further will be the new Golf GTE – a plug-in hybrid version of the multi-award-winning Golf hatchback that combines the benefits of electric mobility with the dynamics of a Golf GTI. Available to order from late August, provisional data shows impressive fuel efficiency, with a combined consumption of 188mpg and CO_2 emissions of 35g/km. This vehicle will have a driving range of around 580 miles thanks to its petrol and electric drivetrain: a true 'no compromise' car.

Golf Estate: official Government fuel consumption figures in mpg (litres per 100km): Urban 40.9 (6.9) - 72.4 (3.9), Extra Urban 62.8 (4.5) - 94.2 (3.0), Combined 53.3 (5.3) - 85.6 (3.3). CO_2 emissions 124-87g/km.

Class 1A National Insurance Contributions

Employers pay Class 1A National Insurance Contributions (NIC) on company cars and fuel at 13.8%.

NIC is linked to the P11D value and the CO_2 emission figure of a vehicle.

As the company car benefit-in-kind tax table (pages 6-7) highlights, emission thresholds have tightened in 2014/15 and will tighten further in future years.

The only way that employers can limit an increase in NIC is to ensure choice lists feature models with low CO_2.

Sample calculations below highlight the impact of the tax changes on NIC.

Example 1

Volkswagen Golf Estate SE 2.0 TDI 150PS 6-speed manual
P11D price: £23,345
CO_2 emissions: 108g/km

2014/15 (17% BIK rate)
Cash value (P11D x BIK):
£23,345 x 17% = £3,969
Employers' Class 1A NIC:
£3,969 x 13.8% = £548
2015/16 (19% BIK rate)
Cash value (P11D x BIK):
£23,345 x 19% = £4,436
Employers' Class 1A NIC:
£4,436 x 13.8% - £612
2016/17 (18% BIK rate)
Cash value (P11D x BIK):
£23,345 x 18% = £4,202
Employers' Class 1A NIC:
£4,175 x 13.8% = £580

Example 2

Volkswagen Golf BlueMotion 1.6 TDI 110PS 5dr 6-speed manual
P11D price: £21,415
CO_2 emissions: 85g/km

2014/15 (14% BIK rate)
Cash value (P11D x BIK):
£21,415 x 14% = £2,998
Employers' Class 1A NIC:
£2,998 x 13.8% = £414
2015/16 (16% BIK rate)
Cash value (P11D x BIK):
£21,415 x 16% = £3,426
Employers' Class 1A NIC:
£3,426 x 13.8% = £473
2016/17 (15% BIK rate)
Cash value (P11D x BIK):
£21,415 x 15% = £3,212
Employers' Class 1A NIC:
£3,182 x 13.8% = £443

– From 2016/17 diesel cars will no longer be subject to a 3% BIK tax surcharge

Mileage reimbursement rates

HM Revenue and Customs' Approved Mileage Allowance Payments (AMAPs) set tax and National Insurance exempted rates for business mileage in a private car.

For 2014/15 the rate of reclaim for the first 10,000 miles remains at 45p per mile and 25p per mile thereafter.

If the AMAP rate paid to an employee exceeds the approved amount for the tax year, then:

– For company directors or employees earning £8,500 or more per year, the excess amount should be reported on form P11D for tax purposes

– For employees earning less than £8,500 there is no reporting requirement as no tax is payable

– Regardless of an employee's earnings, the employer has no tax to pay to HMRC

If the AMAP rate paid to an employee is below the approved amount for the tax year, the employer has no reporting requirements or tax to pay to HMRC. However, the employee will be able to obtain tax relief (called Mileage Allowance Relief) on the unused balance of the approved amount.

In addition to claiming AMAP rates, an allowance for passengers (employees and volunteers) at 5p per mile can be paid tax and National Insurance free.

New Polo: official Government fuel consumption figures in mpg (litres per 100km): Urban 45.6 (6.2) – 70.6 (4.0), Extra Urban 67.3 (4.2) – 91.1 (3.1), Combined 57.6 (4.9) – 83.1 (3.4). CO_2 emissions 110-88g/km.

AMAP rates

	Up to 10,000 miles	Over 10,000 miles
All cars	45p	25p

Employer-provided fuel for private mileage

Employees pay benefit-in-kind tax on fuel for private use paid for by their employer, while the company must pay Class 1A NIC on the taxable scale charge. The charge is linked to a set figure, known as the fuel benefit charge multiplier. In 2014/15 the figure is £21,700, up from £21,100. This will increase by the rate of inflation in 2015/16. A separate figure applies for vans (see pages 14/15).

2014/15: Calculating your 'free' fuel liability

To calculate the employees' benefit-in-kind liability, you need to know:

– Combined fuel consumption cycle of your company car and price of fuel used
– The car's CO_2 emissions and the linked benefit-in-kind tax percentage
– The marginal tax rate of the driver (20%, 40% or 50%)
– The Government's fuel benefit charge multiplier (now £21,700)

Example 1 – the driver's view

Volkswagen Golf GTD 2.0 TDI 184PS 5dr 6-speed manual
CO_2 emissions: 109g/km
Fuel economy: 67.3 mpg
Benefit-in-kind tax: 17% (2014/15)

Taxable value (fuel benefit charge multiplier x BIK):
£21,700 x 17% = £3,689

Tax charge for a 20% taxpayer:
£738 (worth 543 litres of diesel)
Breakeven is 8,038 private miles

Tax charge for a 40% taxpayer:
£1,476 (worth 1,085 litres of diesel)
Breakeven is 16,066 private miles

Example 2 – the employer's view

To calculate the cost of providing fuel for private use employers must know: cost of fuel, VAT rate, VAT fuel scale charge linked to CO_2, Class 1A NIC rate, corporation tax rate.

Fuel cost (10,000 private miles at £1.36 per litre): £918.00
VAT recovery at 20%: (£153.00)
VAT fuel scale charge: £104.50
Class 1A NIC: £410.13
Total: £1,279.63
Corporation tax at 21%: (£268.72)

Net cost to company of providing 'free' fuel: £1,010.91

Commercial vehicles 2014/15

Company light commercial vehicles used privately incur benefit-in-kind tax for the driver, based on a taxable value of £3,090 in 2014/15. The charge will increase by the rate of inflation in 2015/16.

All electric vans are exempt from benefit-in-kind tax until the end of the 2014/15 financial year.

However, from 2015/16 the exemption will end, but the full van benefit charge will not apply until 2020/21. The Government has announced that the charge will be phased in – 20% of the rate paid by conventionally-fuelled vans in 2015/16, followed by 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020/21.

If free fuel is also provided by the employer for private mileage, an additional van fuel benefit charge applies. The charge for 2014/15 has increased from £564 to £581. It increases by the rate of inflation in 2015/16.

Class 1A National Insurance – vans
Employer Class 1A National Insurance contributions for vans are calculated by multiplying the taxable values by 13.8%.

Capital allowances/lease rental restrictions
Business expenditure on vans (ex-VAT) qualifies for tax relief as capital allowances at the rate of 18% a year on a reducing balance basis. There is no balancing charge when a van is sold. The Government has extended the enhanced capital allowance (100%) for zero-emission goods vehicles to April 2018, but availability is limited to businesses that do not claim the Government's Plug-in Van Grant. Lease rental restrictions do not apply to vans.

Vehicle Excise Duty – vans registered on or after 1 March, 2001
– Registered on/after 1 March, 2001, (not over 3,500kg revenue weight): £225

– Euro 4 light goods vehicles registered between 1 March, 2003, and 31 December, 2006, (not over 3,500kg revenue weight): £140

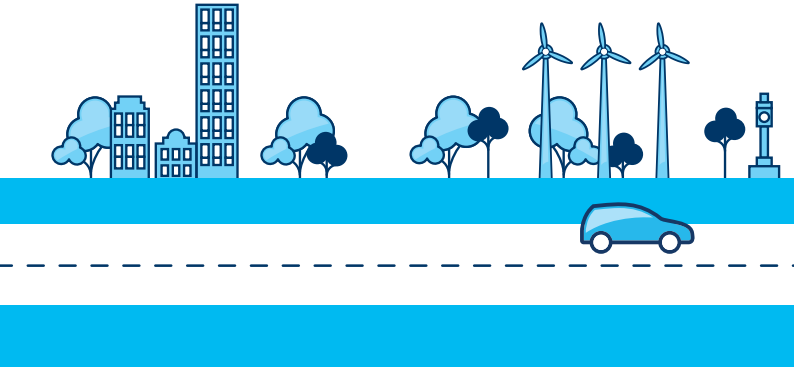
– Euro 5 light goods vehicles registered between 1 January, 2009, and 31 December, 2010 ,(not over 3,500kg revenue weight): £140

For more information on the Volkswagen Commercial Vehicle range telephone 0800 808 9998 or visit www.volkswagen-vans.co.uk/fleet

The explanations and data set out in this guide are for general information only and, though given in good faith, are given without any warranty as to their accuracy. Please refer to your legal or tax adviser for individual professional advice. All information correct at date of publication, May 2014.

Fuel consumption figures shown are mpg/ltr per 100km for the urban, extra-urban and combined fuel cycles in accordance with EU Directive 99/94.

For more information on the Volkswagen passenger car range or to request a test drive, call the Fleet Business Centre on 0800 38 989 38 or visit www.volkswagen.co.uk/fleet



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