



# Company Car Tax 2011/12

Details of new company car tax bandings, changes to VED rates, fuel benefit charge and AMAPs, plus the fair fuel stabiliser





## Budget 2011

The coalition Government's first full Budget follows on from last June's Emergency Budget which announced changes to employers' Class 1A National Insurance Contributions and amended write-down allowances. The full Budget goes further still, announcing a raft of new initiatives and rates which will impact on the running of a fleet.

Chancellor of the Exchequer George Osborne announced company car tax rates for the 2013/14 tax year, giving companies an extra year's information to enable them to select vehicles and know the taxation that will be levied on them.

He also announced inflation-linked increases to VED rates. Changes have also been made to the

fuel benefit charge, which rises by £800 in a bid to deter companies from offering a 'free fuel' option. Approved Mileage Allowance Payments (the rates at which employees who use their own cars for business can claim mileage reimbursement) have also been changed to reflect the rising cost of petrol and diesel. Finally, fuel duty has been cut by one pence per litre and further inflation-linked rises deferred. And in a bid to bring fuel prices under control, Osborne has announced he will abolish the fuel duty escalator and replace it with a fair fuel stabiliser which will ensure inflation-only rates of increase in fuel duty when oil prices are high.

## Vehicle Excise Duty (VED)

The VED system has been revised with increased rates in line with inflation for both standard rates and also for the first year rate.

The 13-band system (bands A to M) remains in place, but changes have been made to reward lower emission vehicles, and also to penalise higher polluting models (see table below). The new rates came into force on 1 April, 2011.

- The standard rate of VED for cars emitting up to 120g/km of CO<sub>2</sub> remains unchanged, with vehicles up to 100g/km (band A) qualifying for a zero rate, those emitting between 101 and 110g/km (band B) being charged

at £20 per annum and those from 111 to 120g/km (band C) costing £30 a year.

- Inflation linked rises of between £5 and £25 per annum apply to vehicles emitting between 121 and more than 255g/km (bands D to M).
- The first year rate does not apply to any vehicle with CO<sub>2</sub> emissions of 130g/km or less (bands A to D). Inflation linked increases apply to vehicles emitting between 131 and 165g/km (bands E to G), while there are much more severe increases for vehicles with emissions of 166g/km and above, with rises of up to £540 on the first year rate for cars over 255g/km (band M).

VED band	CO <sub>2</sub> emissions (g/km)	Standard rate	First year rate
A	Up to 100	£0	£0
B	101-110	£20	£0
C	111-120	£30	£0
D	121-130	£95	£0
E	131-140	£115	£115
F	141-150	£130	£130
G	151-165	£165	£165
H	166-175	£190	£265
I	176-185	£210	£315
J	186-200	£245	£445
K	201-225	£260	£580
L	226-255	£445	£790
M	Above 255	£460	£1000

Alternative fuel discount: 2010-11 onwards £10 for all cars. 2011-12 rates took effect from 1 April, 2011. Includes cars emitting more than 225g/km registered before 23 March 2006

# Efficiency and Economy with BlueMotion

Volkswagen's BlueMotion and BlueMotion Technology models are the most efficient and economical in the range. BlueMotion is available in Polo and Golf derivatives and will feature in new Passat later this year. BlueMotion Technology engines feature in Golf, Golf Plus, Golf Estate, new Jetta, new Passat, new Passat Estate, Passat CC, new Eos, Scirocco, Tiguan and new Touran. To request a test drive contact the Fleet Business Centre on 0800 38 989 38. To see how much money you could save by opting for BlueMotion Technologies visit [www.volkswagen.co.uk/fleet/bluemotion](http://www.volkswagen.co.uk/fleet/bluemotion)

## Company Car Tax

The Budget saw a tightening of the company car tax bands and also saw the publication of tax rates for the 2013/14 tax year.

Company car tax thresholds will tighten by 5g/km on 6 April, 2013, with the thresholds for the 2011/12 and 2012/13 tax years already

announced (see table right). The move aims to reward drivers choosing lower emitting vehicles with lower benefit-in-kind (BIK) tax bills. All other BIK bandings tighten by 5g/km as well, up to a maximum of 35%. The 3% diesel tax charge remains in place.

Previously announced changes also came into force from 6 April, 2011. The £80,000 price cap for benefit-in-kind tax purposes is abolished, while discounts for alternatively-fuelled vehicles also go. Electric vehicles continue to enjoy a zero company car tax rating until April 2015. The chart (right) shows the emissions-based BIK sliding scale for 2011/12 through to 2013/14.

## 2011/12: Calculating Your Liability

To calculate BIK liability in 2011/12, you need to know:

- The CO<sub>2</sub> emissions in g/km of your car.
- The P11D value of the car (the price of the car, including delivery, the cost of any optional extras and VAT, but excluding VED and Government First Delivery Charge).
- Whether or not the car is a diesel. All diesel cars registered on or after 1 January, 2006, are subject to a 3% tax charge.

CO<sub>2</sub> emissions information and a Company Car Tax calculator can be found for all Volkswagen cars at [www.volkswagen.co.uk/fleet/cars/tax-calculator](http://www.volkswagen.co.uk/fleet/cars/tax-calculator)

## Taxable percentage of P11D value

% of P11D Price	2011/12 CO <sub>2</sub> (g/km)	2012/13 CO <sub>2</sub> (g/km)	2013/14 CO <sub>2</sub> (g/km)
10	120	up to 99	up to 94
11	n/a	100	95
12	n/a	105	100
13	n/a	110	105
14	n/a	115	110
15	125	120	115
16	130	125	120
17	135	130	125
18	140	135	130
19	145	140	135
20	150	145	140
21	155	150	145
22	160	155	150
23	165	160	155
24	170	165	160
25	175	170	165
26	180	175	170
27	185	180	175
28	190	185	180
29	195	190	185
30	200	195	190
31	205	200	195
32	210	205	200
33	215	210	205
34	220	215	210
35	225	220	215

- Add 3% for diesels up to a maximum of 35%
- Benefit-in-kind tax rates for zero emission cars remain at 0%
- Benefit-in-kind tax rates for ultra-low emission cars (up to 75g/km) will remain at 5%.

# Capital Allowances and Lease Rental Restriction

The new Government has reduced the rate of reclaim for company assets under the capital allowances system.

The write-down allowance (WDA) amounts claimable against tax for company cars changed in April 2009 from a price-based system to a new structure based on CO<sub>2</sub> emissions.

While continuing to adhere to the system introduced in 2009, which offers enhanced rates for lower emissions vehicles, and the separation of vehicles into two pools depending on their emissions, the Government will lower the rates of reclaim by 2% from 1 April, 2012.

Cars registered from 1 April, 2009, with CO<sub>2</sub> emissions of 111g/km to 160g/km inclusive, currently attract a 20% write-down allowance (WDA). But from 1 April, 2012, that rate will fall to 18%.

For cars with CO<sub>2</sub> emissions above 160g/km the current rate of 10% drops to 8% from 1 April, 2012.

For cars with CO<sub>2</sub> emissions of 110g/km or less, a 100% first-year allowance applies, with the allowance available until March 2013.

Cars already on-fleet prior to the April 2009 changes will continue to be administered under the previous price-based system until disposal, with a



transition period expected to be in the region of five years from the inception of the new system in April 2009.

## Lease Rental Restriction

The rules affecting lease rental restriction – the amount of the lease rental payments claimable against corporation tax – have also been reformed in line with the new emissions-based capital allowance legislation.

Cars first registered on or after 1 April, 2009, with CO<sub>2</sub> emissions of 160g/km or less, are eligible for 100% of their lease payments to be offset against corporation tax. For new cars with emissions over 160g/km registered from this date, only 85% of their lease payments can be offset.

**Volkswagen has produced a CO<sub>2</sub> emissions guide containing all models which are sub-120g/km. To obtain a copy, free of charge, call the Fleet Business Centre on 0800 38 989 38.**

# Class 1A National Insurance Contributions

Employers' Class 1A National Insurance Contributions (NIC) will rise by 1% from April 2011 to a new level of 13.8%.

NICs are payable by companies who provide a company car and fuel to employees which are available for private use.

## Calculating Class 1A NIC

Class 1A NICs are payable by employers on company cars calculated in the 2011/12 tax year at 13.8% of the car's taxable value.

### Example

Volkswagen Polo BlueMotion 1.2 TDI 75PS 3dr hatch, with a P11D value of £14,805 and CO<sub>2</sub> emissions of 91g/km, attracts a tax charge of 13% of its P11D value. £14,805 x 13% gives a taxable value of £1,924. Multiplying by 13.8% gives Class 1A NIC of £265.





### Employer-provided fuel for private mileage

The Government set figure used for calculating the tax due on employer-provided fuel for private use in a company car has risen from £18,000 to £18,800 from April 2011.

## Business Mileage in a Private Car: Reimbursement Rates in 2011/12

The HM Revenue & Customs Authorised Mileage Allowance Payments (AMAPs) set tax and National Insurance-exempted rates claimable for business mileage in a private car.

For 2011/12 the rate of reclaim for the first 10,000 miles has changed, rising from 40 to 45 pence per mile to reflect the rising cost of fuel (see below).

Fuel cost claims made to employers at a lower rate than the AMAP rates entitle the driver to tax relief on the difference. Conversely, claims made at a higher level than the AMAP rates will incur tax.

AMAP rates 2011/12		
	Up to 10,000 miles	Over 10,000 miles
All cars	45p	25p

### To calculate the tax, you need to know:

- The car's combined fuel consumption and BIK tax percentage.
- The price of fuel used.
- The driver's marginal tax rate and Government set figure.

**A new Volkswagen Golf BlueMotion 1.6 TDI 105PS 5dr has combined fuel consumption of 74.3mpg and CO<sub>2</sub> emissions of 99g/km.**

- The tax percentage for this model is 13%, so the fuel scale charge for 2011/12 is  $£18,800 \times 13\% = £2,444$ , equating to £488 tax liability for a 20% taxpayer (or £977 for a 40% taxpayer).
- £488 will pay for 77 gallons of diesel for a 20% taxpayer (or 154 gallons for a 40% taxpayer), assuming the national average price for diesel of £6.31/gallon or 139p/litre.
- Break-even mileage is  $77 \times 74.3 = 5,721$  private miles for a 20% taxpayer (or 11,442 private miles for a 40% taxpayer).

# Commercial Vehicles



Company light commercial vehicles, including 'Double-Cab' pick-up trucks, which are used for private mileage incur benefit-in-kind tax for the driver, based on a taxable value of £3,000. If free fuel is provided by the employer for private mileage, the taxable value rises to £3,550 for the 2011/12 tax year.

## The Annual Tax Payable for Private Use in These Vehicles When Used for Private Mileage is Calculated as Follows:

£3,000 x 20% = £600 for a 20% taxpayer

£3,000 x 40% = £1,200 for a 40% taxpayer

If fuel for private use is provided, the tax payable is £700 (20% taxpayer), or £1,400 (40% taxpayer). Employees taking their company van home to enable them to drive direct to customers the next day, and who are not allowed other private use, are exempt from tax.

### BIK Tax Payable (2011/12)

Model	Basic price (ex VAT)	BIK tax payable (ex VAT)
Volkswagen Crafter CR30 Blue TDI (88PS)	£18,000	£600/£1,200

Figures exclude provision of 'free' fuel for private use. Figures quoted for 20%/40% taxpayers

## Class 1A NICs in 2011/12: Vans

2011/12 Class 1A National Insurance Contributions for vans are calculated on the same basis as BIK tax liabilities. The amounts payable are calculated by multiplying the taxable values by 13.8%. The example (below) shows the levels of contribution.

## Vehicle Excise Duty in 2011/12: Vans

The standard rate for VED has risen in line with inflation for 2011/12.

Euro IV compliant vans registered between 1 March, 2003, and 31 December, 2006, pay £130 in 2011/12. The same rate also applies to Euro V compliant vans registered between 1 January, 2009, and 31 December, 2010.

VED for vans registered before 1 March, 2001, costs £130 in 2011/12 for vans up to 1,549cc, and £215 for vans over 1,549cc.

VED in 2011/12	
Pre-graduated VED vans (up to 1,549cc)	£130
Pre-graduated VED vans (over 1,549cc)	£215
Euro IV vans (registered before 31 December, 2006)	£130
Euro V vans (registered between 1 January, 2009 and 31 December, 2010)	£130
Standard rate	£205

## Annual Class 1A NIC liabilities in 2011/12

Model	NIC payable excluding 'free' fuel	NIC payable including 'free' fuel
Volkswagen Transporter T26 1.9 TDI PD (84 SWB)	£384	£448



For more information on the Volkswagen Commercial Vehicle range visit [www.volkswagen-vans.co.uk/fleet](http://www.volkswagen-vans.co.uk/fleet)



The explanations and data set out in this leaflet 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, April 2011.

For more information on the Volkswagen model range or to request a test drive, call the Fleet Business Centre on 0800 38 989 38 or visit [www.volkswagen.co.uk/fleet](http://www.volkswagen.co.uk/fleet)  
Official fuel consumption for the Volkswagen models featured in this Guide in mpg (litres/100km).

**Polo:** urban 35.3/8.0 – 67.3/4.2; extra urban (55.4/5.1) – 91.1/3.1; combined 47.9/5.9 – 80.7/3.5. CO<sub>2</sub> 91 – 139

**Golf:** urban 23.9/11.8 – 60.1/4.7; extra urban (41.5/6.8) – 83.1/3.4; combined 33.2/8.5 – 74.3/3.8. CO<sub>2</sub> 99 – 199

**Golf Estate:** urban 34.0/8.3 – (57.6/4.9); extra urban 53.3/5.3 – 78.5/3.6; combined 44.8/6.3 – 67.3/4.2. CO<sub>2</sub> 109 – 146

**New Passat:** urban (26.2/10.8) – 54.3/5.2; extra urban (47.9/5.9) – 74.3/3.8; combined (36.7/7.7) – 65.7/4.3. CO<sub>2</sub> 114 – (180)

**New Passat Estate:** urban (25.9/10.9) – 53.3/5.3; extra urban (46.3/6.1) – 70.6/4.0; combined (35.8/7.9) – 64.2/4.4. CO<sub>2</sub> 116 – (183)

**Passat CC:** urban (21.4/13.2) – 49.6/5.7; extra urban (38.7/7.3) – 65.7/4.3; combined (29.7/9.5) – 60.1/4.7. CO<sub>2</sub> 125 – (219)

( ) Automatic figures