Fact Sheet

Budget 2012

…and its impact on your fleet.

This year's Budget was presented by the Chancellor as a Budget to reward work, with the objective of having a tax system that would be competitive for business, and encourages fuel efficient fleets.

There are a number of radical changes which have been announced in the Budget including:

- From April 2013, the 160g/km threshold for the main rate of capital allowances for business cars will reduce to 130g/km.
- From April 2013, the 100% First Year Allowance (FYA) for businesses purchasing low emission cars is extended to 31 March 2015. However, the threshold eligible will be reduced from 110g/km to 95g/km.
- Abolishing the 3% diesel supplement by 2016.
- Five year notice of future company car tax rates.
- From April 2015, the five year exemption for zero carbon emission vehicles will come to an end.
- Tax rates for cars with emissions over 75g/km will increase by 2% in 2015/16 and 2016/17.
- 2% reduction in corporation tax from 1 April 2012, followed by a 1% reduction for the following two years taking it to 22% by April 2014.

There is continued commitment by the government to encourage a reduction in the levels of CO_2 emissions. However by 2015, the incentive to select the lowest emitting cars is removed.

What's changed?

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Capital allowances.

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Fuel duty.

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What's changed?

Corporation tax.

From 1 April 2012 the main rate of corporation tax will reduce by 2% from 26% to 24%. There will be a further 1% reduction for another two years, taking the rate to 22% on 1 April 2014.

The small companies' rate of corporation tax will remain at 20% from 1 April 2012.

Comment: This is a key component of the Chancellor's Budget for having a tax system that would be competitive for business. From a fleet perspective, where companies are running company cars with CO_2 emissions greater than 160g/km, the reduction in corporation tax will have a marginally favourable impact on the cost of lease rental restriction up to March 2013.

However from April 2013, there is an ongoing CO_2 emissions focus, with the lowering of the capital allowances threshold to 130g/km, which means more leased cars would be subject to the lease rental restriction.

Capital allowances.

As previously announced, from 1 April 2012 the rate for Writing Down Allowances (WDAs) for cars purchased for business purposes will decrease from 20% to 18% where CO_2 emissions are between 111g/km and 160g/km and from 10% to 8% where CO_2 emissions are above 160g/km. WDAs will remain at 100% where CO_2 emissions are 110g/km or less.

From April 2013, the Government will extend the 100% First Year Allowance (FYA) for businesses purchasing low emission cars for a further two years to 31 March 2015.

However, the carbon dioxide emissions threshold below which cars are eligible for the FYA will also be reduced from 110g/km to 95g/km, and leased business cars will no longer be eligible for the FYA.

From April 2013, the carbon dioxide emissions threshold for the main rate of capital allowances for business cars will reduce from 160g/km to 130g/km. Consequently, from 1 April 2013, new cars will qualify for capital allowances at only 8% if their emissions exceed 130g/km.

The threshold above which the lease rental restriction applies will also reduce from 160g/km to 130g/km.

Comment: These are ambitious new emissions targets which need to be incorporated into wholelife cost policies.

Leased business cars below 95g/km will no longer be eligible for the FYA. However for those fleets operating a large number of sub 95g/km cars, this provides an opportunity to consider a blended solution. Contract hire may be appropriate for cars in excess of 95g/km and contract purchase may be appropriate for sub 95g/km cars.

Furthermore, there is also an opportunity to review the mix of cars which are funded in blended contract hire and Employee Car Ownership Schemes (ECOS). Given that the lease rental restriction now means more vehicles will fall within the 130g/km to 160g/km category, and ECOS cars are not impacted by the lease rental restriction. This, combined with an increase in driver contribution, where contributions are benefit in kind based, could have the effect of making ECOS more attractive.

As a result of the capital allowances changes after April 2013, rentals will typically see an increase in the region of £12.

What's changed?

Company car tax.

Company car tax rates from 2014/15 will see the appropriate percentage of list price subject to tax increase by 1% for cars emitting more than 75g/km of carbon dioxide, to a maximum of 35%, and by 2%, to a maximum of 37% in both 2015/16 and 2016/17.

From April 2015, the five year exemption for zero carbon emission vehicles will come to an end, as legislated in Finance Act 2010.

The appropriate percentage for zero emission and low carbon vehicles will be 13% from April 2015 and will increase by 2% in 2016/17.

From April 2016, the Government will remove the 3% diesel supplement differential so that diesel cars will be subject to the same level of tax as petrol cars.

As previously announced, the QUALEC car category will be abolished from 6 April 2012, meaning that a graduated increase in Benefit In Kind (BIK) will apply for company cars less than 121g/km CO_2. This change affects existing cars on fleet as well as new deliveries.

Comment: The changes in company car tax thresholds continue to encourage the take up of lower CO_2 company cars, which generally correspond with better fuel performance figures.

Fleet operators need to however be mindful of the change which will arise from 6 April 2015 for cars with emissions from 1 to 75g/km with an increase of 8% and for pure electric cars a 13% increase in company car tax for the driver. There will be a corresponding impact on the employer's National Insurance Contributions (NIC), which is based on the company car tax threshold. This therefore removes an incentive for fleets to operate electric vehicles and very low emission vehicles.

Abolishing the 3% diesel supplement will bring diesel cars into parity with their petrol engine equivalents from 6 April 2016.

CO_2 (g/km)	Taxable percentage of list price				
	2012/13	2013/14	2014/15	2015/16	2016/17
0	0%	0%	0%	13%	15%
1-75	5%	5%	5%	13%	15%
76-94	10%	10%	11%	13%	15%
95-99	10%	11%	12%	14%	16%
100-104	11%	12%	13%	15%	17%
105-109	12%	13%	14%	16%	18%
110-114	13%	14%	15%	17%	19%
115-119	14%	15%	16%	18%	20%
120-124	15%	16%	17%	19%	21%
125-129	16%	17%	18%	20%	22%
130-134	17%	18%	19%	21%	23%
135-139	18%	19%	20%	22%	24%
140-144	19%	20%	21%	23%	25%
145-149	20%	21%	22%	24%	26%
150-154	21%	22%	23%	25%	27%
155-159	22%	23%	24%	26%	28%
160-164	23%	24%	25%	27%	29%
165-169	24%	25%	26%	28%	30%
170-174	25%	26%	27%	29%	31%
175-179	26%	27%	28%	30%	32%
180-184	27%	28%	29%	31%	33%
185-189	28%	29%	30%	32%	34%
190-194	29%	30%	31%	33%	35%
195-199	30%	31%	32%	34%	36%
200-204	31%	32%	33%	35%	37%
205-209	32%	33%	34%	36%	37%
210-214	33%	34%	35%	37%	37%
215-219	34%	35%	35%	37%	37%
220 or over	35%	35%	35%	37%	37%

The 3% diesel supplement to the percentage still applies until 5 April 2016 when it is abolished. The percentage continues to be capped at 35% up to 5 April 2015 then capped at 37% thereafter.

What's changed?

Company car private fuel.

The Fuel Benefit Charge (FBC) multiplier for private fuel for company cars increases from £18,800 to £20,200 from 6 April 2012.

Furthermore, the Government commits to pre-announcing the FBC multiplier one year ahead on an ongoing basis.

There is a further commitment to increase the multiplier by 2% above the rate of inflation (RPI) for the tax year 2013/14 which will be legislated, following confirmation of the September 2012 inflation figure. As a result of this change the fuel benefit charge will increase for fuel provided for all cars apart from zero emissions cars up until 2015. (Zero emission means vehicles which are incapable of producing CO_2 emissions under any conditions when driven).

Comment: The effect of this will be that fuel for private motoring becomes even more of a 'benefit in decline'. This is now a very expensive benefit to offer as often the true financial benefit is far less than the cost of providing it.

VAT fuel scale charge.

Where businesses recover VAT on fuel used for private motoring, the scale charge to be used from 1 May 2012 is increased as shown below.

CO_2 band g/km	Current VAT fuel scale charge, 12 month period,	From 1 May 2012 VAT fuel scale charge, 12 month period,
120 or less	630	665
125	945	1,000
130	1,010	1,065
135	1,070	1,135
140	1,135	1,200
145	1,200	1,270
150	1,260	1,335
155	1,325	1,400
160	1,385	1,470
165	1,450	1,535
170	1,515	1,600
175	1,575	1,670
180	1,640	1,735
185	1,705	1,800
190	1,765	1,870
195	1,830	1,935
200	1,890	2,000
205	1,955	2,070
210	2,020	2,135
215	2,080	2,200
220	2,145	2,270
225 or more	2,205	2,335

Comment: The effect of the increase in the benefit charge multiplier and the rise in scale charge, means that based on current fuel prices for a 40% taxpayer, the typical break-even point for private fuel benefit is around 14,000* annual private miles for a diesel vehicle with CO_2 emissions of 120g/km and with fuel efficiency of 61.4 miles per gallon. Therefore, in many cases drivers can potentially be worse off by receiving private fuel.

We can provide guidance around fuel management and help develop strategies for minimising your fuel spend including options for optimising private fuel provision.

*This is subject to the fuel efficiency of the vehicle and driving performance.

What's changed?

Vehicle Excise Duty (VED).

VED Band	CO_2 Emissions	2011/12 First Year Rate	2011/12 Standard Rate	2012/13 First Year Rate	2012/13 Standard Rate
A	Up to 100	0	0	0	0
B	101-110	0	20	0	20
C	111-120	0	30	0	30
D	121-130	0	95	0	100
E	131-140	115	115	120	120
F	141-150	130	130	135	135
G	151-165	165	165	170	170
H	166-175	265	190	275	195
I	176-185	315	210	325	215
J	186-200	445	245	460	250
K*	201-225	580	260	600	270
L	226-255	790	445	815	460
M	Over 255	1,000	460	1,030	475

*Band K includes cars that have a CO_2 figure over 225g/km but were registered before 23rd March 2006.

From 1 April 2012, VED rates will increase in line with RPI, apart from VED rates for Heavy Goods Vehicles which will be frozen in 2012/13.

The Government will consider whether to reform VED over the medium term to ensure that all motorists continue to make a fair contribution to the sustainability of the public finances, and to reflect continuing improvements in vehicle fuel efficiency.

In addition, the Government aims to develop a direct debit system to allow motorists to spread their VED payments. The Government will seek the views of motoring groups on these measures.

The Government will reduce tax disc postage costs by extending to fourteen days the grace period, following the payment of tax, on the non-display of a tax disc in a vehicle.

Comment: Vehicle Excise Duty rates have been increased in line with inflation. However, the government is still continuing with its long term aim of making higher CO_2 emitting vehicles more expensive to run.

The changes to Vehicle Excise Duty and company car tax (effect on employer's NIC) will impact on the whole life cost of running your vehicles. We can help you to understand how your current vehicle choice will affect the costs of running your fleet in the future and to assist you in making the right decisions.

What was previously announced.

Approved Mileage Allowance Payments (AMAP).

There were no changes to the level of AMAP rate. This remains unchanged at 45p for the first 10,000 business miles, whilst the rate thereafter remains at 25p.

Fuel duty.

As announced at Budget 2011, the Government will introduce a Fair Fuel Stabiliser, which will mean where the price of oil remains above $75 a barrel future duty rises will be based on RPI, but where the oil price falls below $75 planned duty rises would be based on RPI + 1p per litre.

The 3.02ppl fuel duty increase will still take place on 1 August 2012. This will ensure that there will only be one RPI increase this year.

Comment: Given the rising cost of fuel over recent months, it would have been helpful if some relief had been provided for motorists in terms of cancelling the current planned fuel duty rise in August 2012. This however provides an opportunity for you to review your company fuel expenditure management and develop strategies for minimising your fuel spend including adopting whole life cost methodologies.

Company van taxation.

Where company vans are used for private use (other than home to work travel), the Government has frozen the van benefit charge at £3,000 in 2012/13.

From April 2015, the five year exemption for zero carbon vans from the van benefit charge will expire, as legislated in Finance Act 2010.

Comment: The removal of the exemption will mean that in the few instances where this occurs, a benefit in kind will apply to drivers with a corresponding NIC liability for the employer.

Van fuel benefit charge.

From 6 April 2012, the van fuel benefit charge multiplier will be frozen at £550, and will increase by RPI in 2013/14. The Government commits to pre-announcing the FBC multiplier one year ahead.

Mileage rates.

From 1 March 2012, company car advisory fuel rates are as follows:

Engine Size	Petrol	Diesel	LPG
1,400cc or less	15p	13p	10p
1,401-1,600cc	18p	13p	12p
1,601-2,000cc	18p	15p	12p
Over 2,000cc	26p	19p	18p

Electric vehicle grants.

The government has previously announced the establishment of a grant scheme to reduce the cost of eligible electric, plug-in hybrid and hydrogen cars by up to 25% (maximum £5,000).

This has been available to consumers and business buyers from 1 January 2011 and is planned to run for the life of this Parliament.

The government has also announced that motorists purchasing a qualifying ultra-low emission van can also receive a grant of 20% towards the cost of the vehicle, up to a maximum of £8,000.

We're here to help…

The taxation of company cars and vans continues to support the government objective of driving towards a low carbon economy. This has implications for car policy, fuel provision and choice of vehicle. The Strategic Fleet Consultancy team can provide guidance on cost reduction and policy improvement initiatives designed to ensure that as the cost of motoring continues to rise, your provision of fleet is aligned to best practice and is fit for purpose.

If you have any questions about how any of these changes affect your fleet, please contact your Customer Relationship Manager in the first instance. For a more detailed fleet review to identify cost saving opportunities, our Strategic Fleet Consultancy team is available to provide guidance on setting a fleet policy that works for you.

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