BVRLA

A fair and sustainable Company Car Tax

Factsheet

The Government is pursuing an ambitious programme to reduce the nation's carbon emissions, improve local air quality and embrace new transport innovations that will change the way we move people and goods around our towns, cities and countryside.

At the same time, it is keen to preserve tax revenues, protect the economy during the Brexit process and maintain the automotive sector as a key pillar of the UK's industrial strategy.

The Company Car Tax (CCT) regime is one of the Government's most powerful tools in influencing the behaviour of businesses and individuals. A fair, consistent and well-signalled system can play a vital role in helping the government to meet its policy goals. We believe that the Treasury has a tremendous opportunity to accelerate this process and accentuate the results with a simple realignment of the CCT regime.

As a constructive partner to government, the BVRLA is ready to assist in helping to achieve this.

The role that we can play

BVRLA members own, operate or manage almost 5,000,000 cars, vans and trucks. They are responsible for nearly 50% of all new vehicles registered each year. As of the third quarter of 2018, 10% of company car registrations were plug-in electric, compared to 2.6% for the market as a whole.

With frequent, well managed fleet replacement cycles and a rational, cost-focussed approach to selecting new vehicles, BVRLA members can provide the best route for getting ultra-low and zero-emission vehicles on the roads as quickly as possible. With the right CCT regime, BVRLA members can:

- **Improve the uptake and affordability of low-emission, Clean Air Zone-compliant vehicles;**
- **Accelerate the adoption of plug-in electric vehicles;**
- **Support the UK motor industry to continue to be a key driver of jobs and economic growth;**
- **Deliver a managed transition away from fossil fuels that minimises any financial impact on businesses and individuals;**
- **Provide a long-term, sustainable and environmentally-focused tax base that continues to support government revenues AND policy objectives.**

Over the last two decades, the vehicle rental and leasing industry has embraced the introduction of emissions-based motoring taxes and used the incentives they provide to deliver a sustained and substantial reduction in average CO_2 emissions. Using the CCT regime, BVRLA members have worked with their customers to reduce their carbon footprints, embrace alternative fuel types and adopt other more sustainable modes of transport.

In July 2018 the BVRLA launched its 'Plug-in-Pledge' to support the take up of low emission vehicles even further. The Pledge promised to increase the number of plug-in electric and hybrid vehicles on the association's members' fleets to 725,000 by 2025. Achieving this ambitious pledge will only be possible if the right tax environment can incentivise the take up of greener company cars, which are forecast to account for the majority of those vehicles contained within the Pledge plans.

Company cars

A company car is a vehicle owned or leased by an organisation but provided to an employee for their business or personal use. HMRC estimates that around 940,000 company car drivers use their car privately and therefore have it treated as a taxable Benefit in Kind. Many of these drivers are basic rate Income Tax payers who have to use their company car as part of their job. Over half of all company car drivers (56%) have their vehicle as a job need rather than a perk, rising to 77% for basic rate tax payers.

Since 2002, Company Car Tax has been calculated based on the vehicle's list price and CO_2 emissions, creating a major incentive for drivers to choose low emission models. As a result, the average emissions of a BVRLA-member provided company car have fallen year-on-year, reaching an average of 112.0g/km CO_2 at the beginning of 2018. They are leading the way in the drive towards lower emissions, with the average newly registered company car emitting 10% less CO_2 than its privately registered counterpart.

A steady increase in the tax burden borne by company car drivers is putting this carbon reduction success story at risk. The number of company car drivers estimated by HMRC has dropped by 20,000 from the preceding year's figure. More employees are now choosing to forego their company car in favour of a company provided 'cash allowance', which is taxed but gives employees the freedom to finance their own car via a personal lease or pocket the money and use an existing household car for business (also known as 'grey fleet'). BVRLA data suggests that the average personal lease car emits 11% more CO_2 than a company car, while the average Grey Fleet car emits 19% more CO_2.

Further BVRLA research also shows 27% of businesses currently offering company car schemes are *very likely* to offer a cash alternative in the near future.

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The way forward

Ahead of the 2018 Autumn Budget, we would like to work with the government to:

1. **Freeze Company Car Tax at 2018/19 rates for all but Zero Emission Vehicles**
   HMRC's most recent estimates show a decline of 20,000 in those paying company car BIK tax. Freezing the current tax burden and providing greater clarity of the future rate will help address the motives driving some employees into opting for a cash allowance instead.

2. **Bring forward the 2% Company Car Tax threshold for Zero Emission Vehicles to 2019/20**
   Under current plans the BIK rate for electric company cars soars to 16% in April 2019 before dropping to 2% the year after, actively disincentivising the take-up of electric vehicles as company cars. However, by bringing forward the 2% CCT rate for zero emission vehicles, the Government would instead stimulate the new and used electric vehicle market.

3. **Eliminate unintentional tax increases arising from WLTP**
   The transition to WLTP, the new fuel and emissions testing scheme, has caused an unintentional tax rise. In some cases, the NEDC correlated CO_2 values could be up to 17% higher than existing NEDC values, while WLTP CO_2 values are typically 20-30% higher. This means that some vehicles could move up four bands higher on the CCT table – resulting in an unintentional tax rise for drivers. Applying a 2% discount to cars registered on or after 1 July 2018, to account for NEDC correlation, as well as providing a tax neutral transition to WLTP could address this distortion.

4. **Publish 4 to 5 year view of future Company Car Tax Bands**
   To manage the lifetime cost of their vehicles – which are typically leased over four years – the average fleet or company car driver requires at least four to five years visibility on future CCT rates. The lack of published CCT rates beyond 2021 is therefore causing uncertainty.

5. **Other CO_2 based motoring related taxes**
   In light of the NEDC correlated and WLTP changes to emission levels recorded, the Government must ensure that it applies tax neutrality to all other CO_2 based taxes, not only company car tax. This includes Lease Rental Restrictions, Capital Allowance and Vehicle Excise Duty (VED).

About the BVRLA and its members

Members purchase

83%

of UK built cars sold in the UK

Member activity supports around

465,900 jobs

and contributes over

£49 billion

to the UK economy each year

BVRLA research estimates that

1.5 billion

miles per annum are driven in older, more polluting grey fleet vehicles (employee owned car used for work-related journeys) in the public sector, costing

£786 million

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About the BVRLA and its members

The BVRLA represents the interests of over

2 million

business car drivers and

10 million

people per year who choose to rent a vehicle

The BVRLA estimates the amount of CO_2 emitted by grey fleet vehicles in the public sector could fill Wembley stadium

56 times,

while the CO_2 emitted by the private sector grey fleet is equivalent to driving around the world

430,000 times

BVRLA members register around

50%

of new vehicles annually,

including approximately a third of all new electric and plug in hybrid vehicles

COMPANY CARS: WHO DRIVES THEM?

Over half of all company car drivers

56%

have their vehicle as a job need rather than a perk, rising to

77%

for basic rate tax payers.

COMPANY CARS: FAIRNESS

- The company car sector has seen its CCT burden rise by £1.06 billion, or 58%, since 2013.
- The annual tax burden per company car driver has risen by £1,100, or 56%, since 2013.

COMPANY CARS: SUSTAINABILITY

The average new company car has lower carbon emissions than the average new car.

- Avg. new company car = 111.3g/km CO_2
- Avg. new car = 123.6g/km CO_2

COMPANY CARS: ALTERNATIVES

The rising burden of the Benefit-in-Kind tax regime is pushing company car drivers to take a cash allowance as an alternative. In this case they will typically choose a personal lease car or use an existing household car (grey fleet). Both options are worse for the environment.

BVRLA data shows:

- The average personal lease car emits 11% more CO_2 than a company car.
- The average grey fleet car emits 19% more CO_2 than a company car.

BVRLA

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