

Tax giveaway for green motorists.

By Tim Hardy, Shipleys Chartered Accountants

The Government wants more environmentally-friendly cars on our roads and has set a long term target that the average new car's CO² emissions will be 95grams/km by 2020.

To encourage motorists to go 'green', there are significant tax incentives for companies buying new low emission cars for their directors and employees. Not surprisingly there are tax disincentives for purchasing company cars with high CO² emissions.

Tax savings for greener company cars

The main tax advantages, when purchasing a company car whose emissions are no greater than 75g/km, are:

- The full cost of the car is allowed against company profits in the year of purchase
- The benefit in kind charged on the employee is, at most, 13% of the car's list price for 2017/18
- There are no restrictions that the car can only be used for company business or by the employee concerned. It can be used by the director, other employees, their spouse or children

Other financial gains

There are also a number of other financial benefits worth noting, including:

- The vehicle excise duty/road tax will be significantly cheaper (just £20 if the CO² emissions are 75g/km)
- Other costs, such as car insurance and the car's depreciation in the company accounts, are likely to be lower

- Most people often experience significant fuel cost savings

An example

Here's an example of the savings to be made, and one using the VW Golf GTE as one of the 'greener' vehicle models. It has a combined fuel economy of 156.9-166.2, CO² emissions of 40-38g/km and road tax of just £10.

Assuming an annual mileage of 10,000 the cost savings including fuel, road tax and depreciation should be well in excess of £2,000 a year. The company buying the car will also receive full tax relief (currently at the rate of 19%) on the vehicle's full purchase cost.

Be aware of the changing tax rules

The tax rules for higher emission cars constantly change and, if you require advice on the tax consequences of purchasing a particular vehicle or want advice on the best way to finance it, **please contact me and our friendly team at Shipleys LLP in Godalming.**

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