

Green company cars are attractive option

BUSINESS owners and employers can now take advantage of tax breaks for using cars with strong green credentials.

Steve Foster, who is principal at Godalming accountants Shipleys LLP; said an increasing number of manufacturers are making green versions of their mainstream models, which are in turn, used as company cars.

"For employees their company car is regarded as a 'benefit in kind' and carries an associated tax bill," he said "If the company car is held by them for the whole of a tax year, they are taxed on a percentage of its list price.

"This is the vehicle's price when it was new and, in the case of second hand cars, does not relate to the price it was recently bought for.

"The percentage of the list price is determined by the level of CO2 emissions for that particular car and ranges from 10% to 35%.

"The less the CO2 emissions, the lower the percentage and the greater

the tax saving. As income tax on the car is collected through the Pay As You Earn (PAYE) system, this means that the choice of company car will affect net take home pay."

Mr Foster said for a client considering a new Skoda Superb Greenline as a company car, it has a list price of £16,880 and its CO2 emissions of 136g/km correspond in the current tax year to the 18% band for calculating 'benefit in kind'.

As a result, the annual 'benefit' subject to tax would be £3,038.

Now, with the recession and a desire to control business costs, some clients have been trying to make sure their salary and benefits fall within the basic 20% rate of income tax.

If people can do this then the tax on the car would be £608 for a full year, equivalent to about £50 per month.

If, however, business improves and salaries increase, so the same clients will become 40%

rate taxpayers, the annual income tax bill for the car will be £1,216, or about £100 per month.

"One client chose a BMW M3 coupe for his company car which costs him £7,228 a year in tax," Mr Foster said.

"That's just over £600 a month and a sizeable financial commitment. Not something that you'd like to take on without knowing about it.

"The tax figures mentioned here are those payable by the employee and have nothing to do with the costs incurred by an employer in actually making the car available," Mr Foster

added

"Owner-managers will also want to consider the tax implications for the business.

"There are further tax charges if free or subsidised fuel is provided for private use in a company car, so talk to your accountant or tax advisor if this is being considered."

"If you are looking to improve your cash flow during this year, then think carefully about your choice of company car.

"Find out its CO2 emissions and original list price before you buy as it pays to go green."



The Skoda Superb Greenline is tax-efficient and can make financial sense for those with company cars. Right: Phil Hinds of Colbornes Skoda with Steve Foster of Shipleys



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