



Budget 2008

Business Travel

The Government wants to ensure that the taxation of cars used for business travel properly reflects and supports business activity, in addition, to promoting fairness and environmentally friendly travel.

Expensive Car Restriction

From 1 April 2009 the capital allowance treatment of business cars will be reformed.

The detail: Expenditure on cars with CO₂ emissions above 160g/km will attract a 10 per cent writing-down allowance (WDA) and expenditure on cars with CO₂ emissions of 160g/km or below will attract a 20 per cent WDA. Subject to State aid approval, cars leased to those in receipt of certain disability allowances will be placed in the 20 per cent main pool, regardless of their CO₂ performance.

The rules disallowing a proportion of car lease rental payments will also be reformed in line with the new capital allowances rules. The new disallowance will be 15 per cent of the relevant payments, applied to cars dealt with in the 10 per cent special rate pool. The Government is considering the option of applying the disallowance only to the final business user in a chain of leases. This will be applicable for all agreements entered into after 1 April 2009.

Daily rental cars over 160g/km CO₂ will lose their general plant and machinery status and will fall into the new 10% special rate pool from 1 April 2009.

BVRLA Comment: Whilst we are disappointed with the continuation of the lease rental restriction Members may wish to model their existing fleet as we believe that the large proportion of Members' customers will see the benefits of the lease rental restriction being reformed. Draft regulations are expected to be published in the Autumn and we shall be working with officials on the technical details including matters relating to short life asset election.

100% First-Year Allowances for expenditure on cars with low carbon dioxide emissions

- ☞ The 100 per cent first-year allowance (FYA) for expenditure on cars with CO₂ emissions not exceeding 120g/km will be extended until 31 March 2013.
- ☞ After 2013 the FYA qualifying emissions be lowered to 110g/km; and
- ☞ A transitional rule to ensure that any leasing contracts entered into before 1 April 2008 involving cars which qualified as low emissions cars under the old rules are unaffected by the reduction of the qualifying CO₂ emissions limit to 110g/km and below.

Vehicle Excise Duty (VED)

Budget 2008 announced a major reform of the vehicle excise duty (VED) structure.

The detail: From 1 April 2009, VED will be restructured with the introductions of six new bands including a new top **Band M** for the most polluting cars that emit more than 255g CO₂ per km.

From 1 April 2010, there will be a new higher **first-year rate** based on carbon dioxide emissions and a standard rate thereafter – Band M cars paying £950 in the first year and £455 thereafter.

VED Band	CO ₂ emissions g/km	2008-09 ¹ standard rate	CO ₂ emissions g/km	2009-10 standard rate	2010-11	
					First year rate	Standard rate ⁴
A	Up to 100	0	Up to 100	0	0	0
B	101-120	35	101-110	20	0	20
C	121-150	120	111-120	30	0	35
D	151-165	145	121-130	90	0	95
E	166-185	170	131-140	110	115	115
F	Over 186 ²	210	141-150	120	125	125
G	Over 226 ³	400	151-160	150	155	155
H			161-170	175	250	180
I			171-180	205	300	210
J			181-200	260	425	270
K			201-225	300	550	310
L			226-255	415	750	430
M			Over 225	440	950	455

Notes

1. 2008-09 rates take effect from 13 March 2008
2. Cars registered before 23 March 2006
3. Cars registered on or after 23 March 2006³
4. Alternative fuel car discount 2009-10 £20 bands A-I, £15 bands J-M 2010-11 £10 all cars

BVRLA Comment: It remains unclear whether daily rental Members disposing their vehicles in year one will be able to claim a refund on the first year rate, which is to be introduced from 1 April 2010.

VED for Vans

A measure will be introduced with effect from 1 January 2009, giving a VED incentive for early take-up of Euro V technology diesel vans ahead of mandatory introduction in 2011. The incentive will remain for the lifetime of the van.

Company Car/Van Fuel Benefit Charge

From 1 May 2008, the VAT fuel scale charges will be increased to reflect fuel price inflation. In addition, the table of CO₂ bands will be amended slightly to maintain alignment with those used for direct tax purposes.

A measure will be introduced, with effect from Royal Assent, to ensure that the **van** fuel benefit legislation mirrors that for company cars.

AMAPs

The Government is maintaining tax-free mileage allowances (AMAPs) rates and thresholds at current levels.

The detail: The Government will take decisions on whether to align the tax/National Insurance Contribution treatment of AMAPs in light of the outcome of the HMRC consultation on collecting tax on benefits in kind and expense payments: Including benefits in kind and expense payments in the payroll – a fresh approach.

BVRLA Comment: It is disappointing that no firm decision has yet again been forthcoming, thereby perpetuating the ongoing uncertainty.

King Review

Professor King has published her report on vehicle technology.

The detail: Professor King makes recommendations in four key areas where she believes action must be taken if the UK is to move towards decarbonising road transport:

- ☞ reducing vehicle emissions;
- ☞ changing consumer behaviours;
- ☞ encouraging cleaner fuels; and
- ☞ research and development.

Specific actions recommended by Professor King include:

- ☞ the introduction of colour-coded car tax discs;
- ☞ the strengthening of advertising regulation to provide clearer information on vehicles;
- ☞ redesigning and making compulsory the current new car fuel economy label; and
- ☞ considering whether dashboard technology can encourage smarter driving.

The King Review highlights that in the longer term, biofuels have the potential to make a significant contribution towards reducing emissions in the transport sector. In principle, biofuels can reduce greenhouse gas emissions compared to the use of fossil fuels. However, factors including land use changes, fertiliser inputs, processing methods and transport can significantly reduce the greenhouse gas emission savings available.

Fuel Duty

Planned fuel duty increase of 2 pence per litre in April 2008 will be delayed until 1 October 2008. Main road fuel duty rates will rise by 1.84 pence per litre on 1 April 2009, and will increase by 0.5 pence per litre above inflation on 1 April 2010.

Company Car Tax (CCT)

With effect from 5 April 2010, the lower threshold for the 15 per cent CCT band will be lowered from 135g to 130g of CO₂/km. As announced in the 2007 Pre-Budget Report, the Fuel Benefit Charge multiplier will be increased from £14,400 to £16,900 from 6 April 2008.

The CO2 emissions figure which determines the 15 per cent rate for petrol cars (the lower threshold) has been set as follows:

- ☞ 2008-09: 135 grams per kilometre of CO2; and
- ☞ 2009-10: 135 grams per kilometre of CO2.
- ☞ 2010-11: 130 grams per kilometre of CO2

HMRC has stated that it will retain the 3% diesel supplement.

Hauliers

The conclusions of the Freight Data Feasibility Study will be published shortly, identifying that the options, including a vignette, would deliver limited safety, congestion, environmental and social benefits. The decision has therefore been taken not to progress a vignette at this time. Given this, the Government will not take forward a vignette at this time but will instead focus on improving the UK's enforcement system. To support this and understand better the movement of foreign vehicles within the UK, the Government will refresh the 2003 foreign vehicle data survey.

Leased plant or machinery: anti-avoidance

This measure will counter avoidance by businesses who lease in and lease out the same plant or machinery to exploit differences in the way in which lease rentals paid and received are taxed in order to generate a tax loss where there is no commercial loss.

Minor changes will be made to the leased plant or machinery anti avoidance measure which was announced on 9 October 2007. The changes will clarify the operation of the rules in a sale and finance leaseback and introduce new rules to ensure that lease and finance leaseback arrangements are treated in a similar way.

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