

Key Personnel

Senior Partner

Robin Winter

Partners

Jonathan Adamson

Ian Palfrey

Mark Robertson

Matthew Struthers

Associates

Moira Kinloch

Lynn Marshall

Consultants

John Stewart

For full details please see our website at
www.hendersonblack.co.uk

The information in this leaflet is a general description only and specific advice should always be obtained before taking any action.

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CHARTERED ACCOUNTANTS

TAXATION OF COMPANY

CARS

ANSTRUTHER
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ST ANDREWS



Taxation of Company Cars

The basis of calculation for the year commencing 6th April 2011 is as follows:

The tax charge is based on a percentage of the car's original market value (OMV) graduated according to the levels of CO2 emissions. The charge is 5% of the car's OMV for cars with emissions at or below a qualifying level, rising in 1% steps for each 5 grams of emissions above the level, to a maximum of 35%. Diesel cars are subject to an extra 3% charge. The charge is restricted to an overall maximum of 35%. Business mileage and age related discounts have been abolished.

For a Landrover Freelander, OMV £22,000, diesel, 205 CO2 g/km, Car Benefit is £7,480 & Fuel Benefit £6,392. Ford Focus, OMV £12,000, petrol, 163 CO2 g/km, Car Benefit is £2,640 & Fuel Benefit £4,136.

Employers may wish to consider their tax policies and look at alternatives.

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Taxation of Car Mileage Allowances

An option is to buy the car personally and claim Inland Revenue approved mileage rates. This can be beneficial if business mileage is substantial.

These rates represent the maximum tax-free mileage allowances for employees using their own vehicles for business. Any excess is taxable.

If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

A record of business mileage should be maintained, detailing date and purpose of journey, total business miles and mileage allowances received.

Self-employed businesses may also claim these mileage rates, if below the VAT registration limit. Capital Allowances cannot also be claimed but a claim can be made for interest.

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Approved Mileage Rates

Cars and Vans	Up to 10,000 miles – 45p Over 10,000 miles – 25p
Bicycles	20p
Motor Cycles	24p

Passengers

An additional 5p per mile can be claimed for each passenger making the same business journey.

This is a complex area and we would recommend obtaining appropriate advice before a decision is made.

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