

## Diesel Company Cars – Tax Change

# Soon there'll be no escape from the 3% surcharge



### The current situation with diesel company cars

HM Revenue and Customs imposes a 3% surcharge on the taxable scale charge for diesel-engined company cars registered after 31 December 1997 which do not meet Euro IV emission standards.

For example, this means that for the 2005/06 tax year a petrol-engined company car with CO<sub>2</sub> emissions of 140 g/km will carry a charge to income tax based on 15% of the vehicle's list price, while a similar non-Euro IV compliant diesel-engined company car will carry a tax charge of 18% of the vehicle's list price. This surcharge will also increase the amount of Class 1A National Insurance Contributions levied on the provider of the company car benefit.

However, where the company diesel car is Euro IV compliant then no surcharge is imposed.

### A major change in April

From 5 April 2006 the favourable treatment of Euro compliant diesel-engined cars will not apply to cars registered on or after 1 January 2006. (Euro compliant cars registered before 1 January 2006 will remain free of the surcharge after 5 April 2006 i.e. the change will not be retrospective.)

### Something for cyclists!

Did you know that an employer can set up a scheme to buy and loan bicycles (including necessary safety equipment) to members of staff with no tax charge? The company will also get back the VAT and obtain tax relief on the assets purchased. A salary sacrifice option can also be set up to make the purchases cost neutral to the employer, but allowing the employees to enjoy a much reduced net cost by saving tax and National Insurance. And as icing on the cake, an employer can pay a tax-free 20p per mile to their employees if they use the bicycle for business purposes.

## Barnes Roffe Topical Tips

- Consider buying Euro IV compliant diesel cars in preference to others.
- Most importantly, if you are changing your car in the near future and do plan to get a Euro IV compliant car, make sure you do this before the end of this year to keep the 3% discount on your scale charge.
- Further information is available from vehicle manufacturers or alternatively the Vehicle Certification Agency's website [www.vcacarfueldata.org.uk](http://www.vcacarfueldata.org.uk).

**Consult your Barnes Roffe LLP contact partner for further guidance on this important topic.**

*This advice is based on legislation currently published and is subject to any amendment imposed by HM Revenue and Customs.*

### Notes

- 1 For further details see:  
[www.dft.gov.uk/stellent/groups/dft\\_susttravel/documents/page/dft\\_susttravel\\_038228.hcsp](http://www.dft.gov.uk/stellent/groups/dft_susttravel/documents/page/dft_susttravel_038228.hcsp)
- 2 The scheme must be available to all employees on broadly similar terms.
- 3 There is no limit to the value of the equipment, but if the amount is over £1,000 there may be consumer credit licence implications.