

Classic Car BIK

Watch out for the taxman when driving a classic car!



What is a classic car?

There is special legislation to deal with the benefit in kind ("BIK") value of certain classic cars because their list price will be low compared with their current value.

The special rules apply where:

- the car is at least 15 years old at the end of the tax year of assessment ("the year")
- the market value of the car for the year is £15,000 or more, and
- the original list price is less than the market value of the car for the year.

And what's it worth?

The price of a classic car for the year is the market value of that car for the year less the amount of any capital contribution (if applicable).

The market value of a car for the year is the sale price it might reasonably have been expected to fetch in the open market on the material day*. The valuation must be made on the assumption that all of the qualifying accessories available with the car on the material day are included in the sale.

Market values of classic cars may be found in specialist publications, contemporaneous sale documents or insurance details for the car concerned. If a classic car is bought in a poor state of repair and is restored during the year, then it is the market value of the restored vehicle on the material day which is needed to calculate the car benefit charge and not the earlier purchase cost.

The price of a car for the year is restricted to an upper limit of £80,000 as with all company cars.

*The material day is either the last day of the year of assessment, or the last day of the year on which the car is made available to the employee or to members of his or her family or household.

Capital contribution

The appropriate amount of any capital contribution is calculated in the same way as for other cars, with the same limit, being the lesser of:

- £5,000, or
- the total amount of the capital sums which the employee has contributed towards the cost of the car or qualifying accessories which were taken into account in arriving at the market value of the car.

Example BIK calculation

On 1 May 2006 a company buys a car for £12,000 and provides it for private use to the director, who contributes £2,000. It was first registered in 1951 and had a list price then of £2,800. During the year the car is renovated and on 5 April 2007 it has a market value of £17,500.

The car is therefore a "classic car" because:

- it is at least 15 years old at 5 April 2007
- its market value for the year is £17,500

The price of the car for the year is therefore:

| | |
|--------------------------------|----------|
| Market value for the year | £17,500 |
| Less capital contribution | (£2,000) |
| Price of the car for 2006/2007 | £15,500 |

Cars registered before 1 January 1988 have no CO₂ emission figures and the scale charge is based on engine size. If the car has an engine capacity of more than 2,000cc then the scale charge will be 32% of the price of the car.

Barnes Roffe Topical Tip

- If you are interested in classic cars then you might consider purchasing a historic car with a market value of less than £15,000. The BIK is then simply based on the original list price resulting in some 90% less tax using our example above.

Consult your Barnes Roffe LLP contact Partner for guidance in this important area.