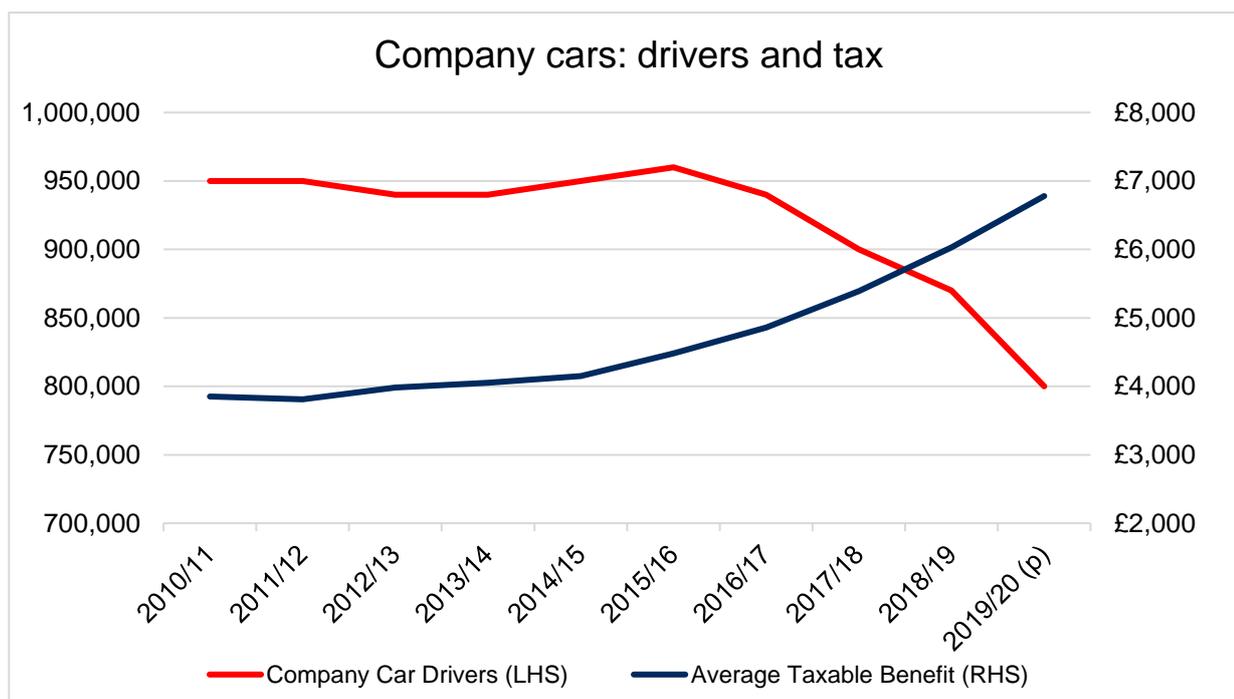


Company cars: heading downhill fast?

Recent data suggests the number of company car drivers continues to fall.



Source: HMRC.

Once upon a time, the aspiration of many an office worker was to climb the ladder to the height at which a company car became part of the remuneration package. The appeal of being liberated from the expenses of motoring – sometimes including ‘free’ fuel – was considerable.

As the graph shows, the latest data from HMRC suggests that the lure of the company car is fading. However, HMRC is uncertain about the accuracy of the data because a 2016 administrative change means that, in HMRC’s view, “it appears there is still considerable underreporting” of company car ownership.

One factor that is not in doubt is that the tax on company cars has outpaced inflation. Between 2010/11 and 2019/20, the average taxable value of a company car rose by 76.1%, whereas consumer price index (CPI) inflation from April 2010 to April 2020 totalled 21.6%. The average taxable value of ‘free’ fuel has not risen as much, but the popularity of the perk has declined much faster than the company cars. In 2019/20, only about one in nine company car drivers also had ‘free’ fuel, probably because for most drivers it was cheaper to buy their own fuel than pay tax on a notional benefit averaging £5,250.

The HMRC data only runs to 2019/20 – and figures for that year are provisional. The picture in 2020/21 onwards could be different as there was a significant reduction in the tax on zero-emission cars – almost all electric vehicles – from 15% of value in 2019/20 to 0% in 2020/21. That rose to 1% for the current tax year and will rise again to 2% from April 2022, a level at which it will remain until April 2025. Anecdotally, the cut has prompted renewed interest in electric company cars and schemes that allow employees to sacrifice salary for a car.

If you have a company car, think carefully when it comes up for replacement. Choosing a 100% electric or plug-in hybrid car could save you tax next time around, but you might be better off side-stepping cars altogether and asking your employer to increase their pension contributions.

The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Important information:

This document is marketing material. This document is provided by the author and may not necessarily represent views expressed in other Aspect8 communications, strategies or funds. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide and should not be relied on for accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views and information in this document when taking individual investment and/or strategic decisions. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell. All investments involve risks including the risk of possible loss of principal. Information herein is believed to be reliable but Aspect8 does not warrant its completeness or accuracy. Reliance should not be placed on the views and information in this document when taking individual investment and/or strategic decisions. Some information quoted was obtained from external sources we consider to be reliable. No responsibility can be accepted for errors of fact obtained from third parties, and this data may change with market conditions. This does not exclude any duty or liability that Aspect8 has to its customers under any regulatory system. Regions/sectors shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell. This content is issued by Aspect8 Limited, Holmwood House, Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP. Registered No. 07572431. Authorised and regulated by the Financial Conduct Authority, FCA no. 227247.