

Company car benefits: imminent changes for dealers



From 6 April 2009, HMRC will introduce a national averaging agreement to calculate the car benefit in kind for dealer employees.



What's changing?

Employees given use of a car provided by a dealer are liable to tax on the benefit arising. Often, employees do not have a particular car allocated to them and so, in the past, many dealerships reached simplified agreements with their local HMRC office on how to calculate the tax due on employees. From 6 April 2009, these local variants will be replaced by a single national averaging system.

HMRC has implied that these changes are needed because motor dealer employees have had beneficial arrangements for calculating their taxable benefit in kind compared to employees in other businesses.

The new system

The new system, even allowing for the 'simplification' issued on 13 March, will see an explosion in the detailed records dealers must keep. Each dealer must:

- On the night of 5/6 April, make a complete list of the cars actually available for the private use of employees, either by location, nationally or regionally
- Allocate each of these cars to one of nine groups, determined by the listed price of each vehicle ranging from £0 to £80,000+
- Calculate the average list price for each group
- Calculate the average CO2 emissions figure for each group
- Calculate the average benefit charge for each group
- Identify qualifying employees at each location and allocate them to one of the nine groups based on the cars available to them for private use

In addition the company must keep records about the employees, including why each has been allocated to a particular group, dates when employees leave or join and if any employees change group during the tax year, their names and when the change took place.

These changes will:

- Impose an arduous record-keeping requirement on the employer
- Potentially lead to an increase in taxable benefits for employees and therefore Class 1A National Insurance for the employing company
- Allow HMRC to impose taxes on a strict statutory basis for future and past years if you fail to comply

Kingston Smith can guide you through the detail of these new rules, including a logging system for using demonstrators or service "loan out" vehicles and help you manage the process.



About Kingston Smith's Automotive team

Kingston Smith is a top 20 firm of chartered accountants, with 53 partners and 500 staff spanning seven offices across London and the South East.

Our Automotive team has considerable experience in the sector. We help our clients run their businesses more successfully by providing practical advice, such as planning to minimise your tax exposure, business strategy advice to help you build value and protect your wealth, HR planning and consultancy, as well as accounting services ranging from preparation and audit of year-end financial statements to advice on improving financial efficiency.

We also act for the Retail Motor Industry Federation - RMIF, the trade association representing the interests of companies operating in the retail motor industry.

Kingston Smith Automotive team

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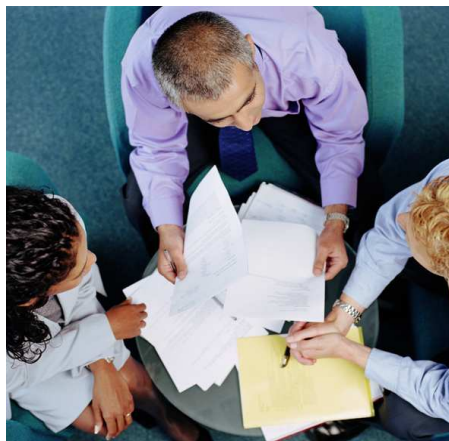
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