

Confirmation of tax hit on luxury vehicles

From 6 April 2011, Chancellor Alistair Darling will be clamping the wheels of all company cars with a list price over £80,000, warns Kingston Smith LLP.

Paul Spindler, a partner and Head of the Dedicated Wealth Advisory Service at the top 20 UK accountancy firm, said: "Under current legislation the tax benefit charge for company directors and others with an expensive company car available for private use is calculated based on carbon dioxide emissions and the list price of the car, which is restricted to £80,000.

"However, the limit was withdrawn for 2011/12 onwards when the Finance Act received Royal Assent on 21 July.

"This will result in a substantial increase in the tax benefit charge and the tax and National Insurance, where the list price of a car is significantly more than £80,000. So, for example, on a £124,000 Bentley Continental GT, the changes will increase the personal tax by 93% and the company National Insurance by 61%."

The £80,000 limit was originally introduced in an effort to placate large luxury car manufacturers, such as Bentley and Rolls Royce.

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