Association of Fleet Professionals

Taxation Manifesto 2021

1 Benefit in kind taxation tables until 2029/30 are needed to meet EV target

Currently, the UK government has issued benefit in kind (BIK) taxation tables only until the 2024/25 tax year, despite the fact that it plans to halt production of internal combustion engine vehicles by 2030. Given that company cars are commonly replaced every 3-4 years and vans every 4-5 years, the fleets who will play the fundamental role in powering this transition away from petrol and diesel to electric vehicles – including AFP members - need BIK tables up to the end of the decade in order to plan successfully for this change. They should be released soonest.

2 Clean Air Zones should be co-ordinated nationally

We welcome Clean Air Zones (CAZs) for the positive impact they have on the environment. However, their localised nature, with a plethora of different rules and methods of payment, means they are unnecessarily complex for national fleets to deal with. We would like to see them instead steered by a national committee that creates greater consistency around their operation, especially when it comes to charging, which should use simple, effect and automated technological solutions. CAZs are effectively a form of taxation and payment should be easy.

3 The "available to use" rule needs updating

Current HMRC rules for benefit in kind (BIK) taxation on company cars are based around a vehicle being "available to use" by an employee for personal use. This creates two major problems in the face of changing vehicle usage patterns.

Firstly, even if an employee pays fair value for the cost of renting the vehicle from their employer for personal use of a company vehicle, this is still taxable. This fundamentally limits the potential progress of employers offering car clubs, which could be a highly effective mobility solution.

Secondly, when vehicles have not been used for personal reasons for long periods of time – such as during the pandemic - and this can be proved, the tax ruling means that the car remains taxable, as it is still available for the employee in the sense that they have access and the keys. Currently, HMRC guidance says that keys should be returned to the employer in order to prove no private use taken place. However, this makes little sense. Not only does it not prove an absence of private use but the keys are often sent to an empty office, which frequently leads to expensive and highly inconvenient key losses in practice.

In light of these issues, the HRMC rule on "available to use' needs updating, we believe. In order to make car clubs practicable, the company car should be used by the employee for private use at either no cost or at marginal cost (ie when the vehicle cost per day is lower than fair market value). Secondly, technological solutions should be used to prove no vehicle use.

4 A clear definition of occasional private use is required

At present there is no firm definition for the phrase "occasional private use" which is applied by HMRC to company vehicles, and this can lead to both confusion and inconsistency. This definition should be clearly codified and we believe that less than 1,000 miles per annum would be a fair and effective level of occasional private use.

5 Home working definition and concessions should be extended

During the pandemic, the home office-based tax claim system has been simplified. Currently, an employee can claim £6 per week energy expense and a chair, and we would like to see this standardised and to continue.

6 Road tolling needs to be clearly signposted

The AFP expects road tolling to be introduced at some point during this decade. This will have a direct and substantial impact on the operation of company vehicles of all kinds. We would like the government to be open about its plans in this area, with the creation of a transparent dialogue that allows a form of road tolling to be discussed and ultimately adopted that both fulfils the needs of the Treasury and is simple and easy for fleets to use.

7 Parking costs should be linked to shared mobility and public transport solutions

We believe that one of the biggest barriers stopping shared mobility deployment and moving employees from personal vehicles into rail usage is not the expense of the train tickets themselves but the often very high cost of parking at almost any UK train station. We therefore urge the government to set national limits on parking costs at train stations. The ability to be able to buy a train ticket with a parking ticket should also be improved with a seamless payment solution.

8 Inner city parking needs to be improved

We recognise that as few fleet vehicles should be parking within inner cities as possible. However, to make this practical, park and ride schemes need to be cheap, quick and effective. Sadly, this is not the case in most UK cities. The AFP believes that the Oxford model is the most effective by far and we would like to this rolled out nationally by a government-backed nationwide committee.

9 Tax breaks are needed for employees taking a mobility solution…

The AFP would like to see schemes in the UK, similar to those available in France, whereby a tax-free allowance is given if an employee takes a mobility allowance, often as an alternative to a company car. We believe this will provide an increased uptake in the numbers of corporate employers and employees moving from a fixed car solution to something more flexible and environmentally friendly. In France, the allowance is currently €600 per annum.

10 …and for shared and low carbon mobility

We also believe that tax breaks should be offered to employees who decide to leave their car at home and undertake an alternative, zero carbon journey instead – be it walking, cycling or e-scooting. These benefits should be offered for both commuting to the office or for business trips.

11 Tax should be higher on older vehicles

In order to fund measures such as tax allowances on new mobility alternatives, the AFP is comfortable with higher taxation on older, non-Euro 6 company cars and vans. This could include not only benefit in kind but also parking, increased vehicle excise duty and more. There could even be a "super high" CO_2 banding for the most expensive and least environmentally friendly older vehicles, although it should be noted that the targeting of these may just push drivers towards a cash allowance.

Having said this, it is important to underline that the AFP does not support increasing tax on petrol or diesel because of its importance in logistical movements and the impact this would have on commercial vehicle fleets.

12 Clear signposting of EV initiatives is required

We are pleased with the level of support from the government when it comes to the UK's corporate electrification programme. However, our belief is that this needs to continue for some years to come and that any changes should be clearly signposted well in advance, giving fleets time to adjust. Especially at this point in time, we are at a delicate moment when it comes to EV deployment and we must ensure employers are confident about EV running costs into the future. The wrong withdrawal of incentives at the wrong moment could see them return to petrol and diesel vehicles purely because of cost calculations.

13 A national kerbside charging strategy is essential

A lack of kerbside charging is currently the biggest barrier to EV adoption in the UK, we believe. Around 40% of motorists do not have a drive and so a national programme is needed to encourage in installation of chargers for on-street parking. However, the current scheme relies on local authorities to part-fund, meaning that provision is extremely patchy and that employers need to lobby individual councils for charging provision, something that is often proving ineffective. There needs to be a unified national programme in place that solves these problems, otherwise many drivers will find it very challenging to adopt an EV.

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