

PRACTICE NOTE

PN 223/24

Date: 20 February 2024

Benefit in Kind Taxation of Car and Fuel Benefit

Introduction

As part of the 2024 Budget, the Minister for the Treasury, the Hon. Dr Alex Allinson, MHK announced that with effect from 6 April 2024 the cash equivalent for car and fuel benefits provided by employers to employees will now be calculated in accordance with the Income Tax (Benefits in Kind) (Car and Fuel) Order 2024.

In line with the Climate Change Plan 2022 to 2027, the Government aims to significantly reduce the Island's emissions. As part of this, and to encourage employers to consider lower emission vehicles, benefit in kind car charges from 6 April will now primarily be based on CO₂ emissions and the list price of the car. The benefit in kind calculation in respect of fuel will also be aligned with the car's CO₂ emissions

Car Benefit

The cash equivalent for the car is calculated by undertaking the following seven steps:

Step 1	Determine the price of the car as detailed in article 5 of the Order.
Step 2	Add to the figure established under step 1 the price of any accessories. The price of accessories is detailed in article 6 of the Order.
Step 3	Deduct any capital contributions made by the employee toward the cost of the car or accessories as permitted under article 7 of the Order. The maximum contribution allowed as a deduction is capped at £5,000. This figure is known as the interim sum.
Step 4	<p>Determine the appropriate percentage for the car using articles 8 to 11 of the Order.</p> <p><i>Cars registered after 1 April 2010</i></p> <p>The <i>appropriate percentage</i> will be established by taking the car's CO₂ emission figure specified in the qualifying emissions certificate and comparing this to the table provided in Appendix 1.</p> <p>Where a car's CO₂ emission figure is between 1 and 50 grams per kilometre driven, the maximum number of miles the car can be driven in electric mode without recharging the battery is also taken into account. These figures should then be compared to the table provided in Appendix 1.</p>

	<p>The appropriate percentage for a bi-fuel car where the emissions certificate specifies separate CO₂ emissions figures for different fuels will be established by taking:</p> <ul style="list-style-type: none"> • the lowest figure specified; or • if more than one figure is specified in relation to each fuel, the lowest CO₂ emissions combined. <p>Again, these figures should then be compared to the table provided in Appendix 1.</p> <p>Where the CO₂ emission figure is not a whole number, round down to the nearest whole number.</p> <p>Where the electric range figure is not a whole number, round up to the nearest whole number.</p> <p><u><i>Cars registered before 1 April 2010 or cars for which a CO₂ emissions figure is unavailable</i></u></p> <p>The <i>appropriate percentage</i> will be established by taking the cars cylinder capacity and comparing this to the table provided in Appendix 2.</p> <p>If a car does not have a cylinder capacity the appropriate percentage should be:</p> <ul style="list-style-type: none"> • 2% if the car cannot emit any CO₂ by being driven; or • 37% in any other case.
Step 5	Multiply the interim sum established in step 3 by the appropriate percentage established in step 4.
Step 6	Make any deductions for any days when the car was unavailable as detailed in article 12 of the Order. This figure is known as the provisional sum.
Step 7	Make any deduction from the provisional sum established in step 6 in respect of payment made by the employee for the private use of the car. The result is the cash equivalent of the benefit of the car for the year.

There are additional rules for:

- cars that run on road fuel gas;
- classic cars – these are cars that at the end of the tax year are 15 years or more old and the market value of the car is £15,000 or more;
- cars which are shared; and
- where two or more cars are available at the same time to the same person.

Further guidance will be provided in the updated Benefit in Kind Guide, which will be available on the website.

Fuel Benefit

The cash equivalent for the fuel is calculated by multiplying:

- £27,800, by
- the appropriate percentage established in step 4 above.

In accordance with article 18(4) of the Order, the cash equivalent for fuel is nil where the energy provided is:

- a. electrical energy; or
- b. any energy for a car which cannot emit CO₂ by being driven.

In addition, the following should also be taken into consideration when determining the taxable fuel benefit:

- periods the car is unavailable; and
- cars which are shared between employees; and
- where two or more cars are made available at the same time.

Example 1

On 1 September 2024 an employer provides a new car to an employee which is available for private use.

- The list price of the car is £25,000.
- The CO₂ emission figure is 133.
- All fuel is provided by the employer.

Car Benefit Calculation		
Step 1 – price of car	£25,000	
Step 2 – add price of accessories	-	
Step 3 – deduct capital contribution from employee	-	
Interim sum	£25,000	
Step 4 – relevant percentage from table 1 or 2	31%	CO ₂ emission bracket 130 to 134
Step 5 – interim sum x relevant percentage	£7,750	
Step 6 – deduction for non-availability	(£3,142)	Reduction for non-availability between 6 April 2024 and 31 August 2024
Provisional sum	£4,608	
Step 7 – payments from employee for use of car	-	
Taxable car benefit for 2024/25	£4,608	

Car Fuel Benefit Calculation		
Step 1 - £27,800 in all cases	£27,800	
Step 2 - relevant percentage from table 1 or 2	31%	
Cash equivalent	£8,618	
Step 3 - deduction for non-availability	(£3,494)	Reduction for non-availability between 6 April 2024 and 31 August 2024
Taxable fuel benefit for 2024/25	£5,124	

Example 2

An employer provides a car to an employee which is available for private use for the whole of the 2024/25 tax year.

- The list price of the car is £50,000.
- Accessories costing £2,000 were added to the car.
- The employee made a capital contribution of £6,000 towards the cost of the car.
- The CO₂ emission figure is 166.
- The employee made a monthly contribution of £100 towards the use of the car.

- All fuel is provided by the employer.

Car Benefit Calculation		
Step 1 – list price of car	£50,000	
Step 2 – add price of accessories	£2,000	
Step 3 – deduct capital contribution from employee	(£5,000)	Although a contribution of £6,000 was made by the employee this has been capped at £5,000.
Interim sum	£47,000	
Step 4 – relevant percentage from table 1 or 2	37%	CO ₂ emission bracket 165 to 169.
Step 5 – interim sum x relevant percentage	£17,390	
Step 6 – deduction for non-availability	-	
Provisional sum	£17,390	
Step 7 – payments from employee for use of car	(£1,200)	12 x £100 monthly contributions made by employee.
Taxable car benefit	£16,190	

Car Fuel Benefit Calculation		
Step 1 - £27,800 in all cases	£27,800	
Step 2 - relevant percentage from table 1 or 2	37%	
Cash equivalent	£10,286	
Step 3 - deduction for non-availability	-	
Taxable fuel benefit	£10,286	

Example 3

An employer provides an electric car to an employee which is available for private use for the whole of the 2024/25 tax year.

- The list price of the car is £60,000.
- The car does not emit any CO₂.
- The employer has an electric vehicle charger at their office where the employee charges the car.

Car Benefit Calculation		
Step 1 – list price of car	£60,000	
Step 2 – add price of accessories	-	
Step 3 – deduct capital contribution from employee	-	
Interim sum	£60,000	

Step 4 – relevant percentage from table 1 or 2	2%	CO ₂ emission bracket 0.
Step 5 – interim sum x relevant percentage	£1,200	
Step 6 – deduction for non-availability	-	
Provisional sum	£1,200	
Step 7 – payments from employee for use of car	-	
Taxable car benefit	£1,200	

Car Fuel Benefit Calculation
The cash equivalent for using the employer’s electric vehicle charger is nil.

Appendix 1 – CARS REGISTERED ON OR AFTER 1 APRIL 2010: THE APPROPRIATE PERCENTAGE

TABLE 1		
CO₂ emissions figure (grams per km)	Electric range figure (miles)	Appropriate percentage
0	—	2%
1 to 50	130 and above	2%
1 to 50	70 to 129	5%
1 to 50	40 to 69	8%
1 to 50	30 to 39	12%
1 to 50	less than 30	14%
51 to 54	—	15%
55 to 59	—	16%
60 to 64	—	17%
65 to 69	—	18%
70 to 74	—	19%
75 to 79	—	20%
80 to 84	—	21%
85 to 89	—	22%
90 to 94	—	23%
95 to 99	—	24%
100 to 104	—	25%
105 to 109	—	26%
110 to 114	—	27%
115 to 119	—	28%
120 to 124	—	29%
125 to 129	—	30%
130 to 134	—	31%
135 to 139	—	32%

140 to 144	—	33%
145 to 149	—	34%
150 to 154	—	35%
155 to 159	—	36%
160 to 164	—	37%
165 to 169	—	37%
170 and above	—	37%

Appendix 2 – CARS REGISTERED BEFORE 1 APRIL 2010 OR CARS FOR WHICH A CO₂ EMISSIONS FIGURE IS UNAVAILABLE: THE APPROPRIATE PERCENTAGE

TABLE 2	
Cylinder capacity of car in cubic centimetres	Appropriate percentage
1,400 or less	24%
More than 1,400 but not more than 2,000	35%
More than 2,000	37%

If a car does not have a cylinder capacity the appropriate percentage should be:

- 2% if the car cannot emit any CO₂; or
- 37% in any other case.

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.