

AUTUMN BUDGET REPORT 2018



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We care about cars.
We care about you.

This newsletter brings you the most important fleet and driver-relevant highlights from the 2018 Budget from Chancellor Philip Hammond as the UK moves toward Brexit.

OVERVIEW:

In a Budget designed to stimulate business and create good feeling with the public through income tax threshold improvements, investment in the NHS, a road funding boost and technology grants, Chancellor Philip Hammond disappointingly delayed many decisions relating to company cars.

While the Budget was broadly favourable for UK businesses as a whole, fleets will face another waiting game to see how the Government plans to encourage or discourage different fuel types.

Following the reduction in grant levels for plug-in cars earlier this year the only message on the shift to electric cars came in the form of an extension of a charging point tax break.

Company car users and businesses will also have to wait until an unspecified date in the Spring of 2019 for clarity on benefit-in-kind (BIK) taxation beyond April 2021, which at that point will be just two years away.

The Government's failure to address BIK, is a further blow to employees, employers, leasing companies, dealers and manufacturers.

An update to Vehicle Excise Duty (VED) rates is not due until Spring next year.

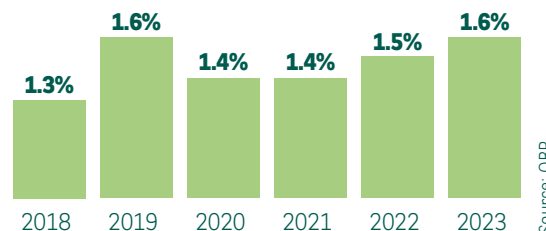
However, the one over-riding proviso that sits in the background of this Budget is that the Chancellor has stated that if no deal is reached on Brexit then he will need to issue a new Budget. In the Budget speech he said: "We will take action if needed and move the Spring statement to a full fiscal event if necessary."



KEY POINT:

Extra Budget in the event of a no-deal Brexit

GDP GROWTH FORECAST



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COMPANY CAR TAX

Company car drivers looking for information in the Budget about how much company car tax they will be paying from April 2021 will be disappointed.

Despite industry lobbying for both greater visibility on future company car tax rates and clarity on tax breaks for plug-in vehicles, the Chancellor ignored these points.

Instead, business car operators will have to wait until Spring for a Government review of both company car tax and Vehicle Excise Duty which will look at the impact of the WLTP emissions testing regulations.

At this point fleets will only have two years' notice about benefit-in-kind rates.

Company Car Tax Bands

CO ₂ emissions (g/km)	2018/19	2019/20
0	13%	16%
1-50	13%	16%
51-75	16%	19%
76-94	19%	22%
95-99	20%	23%
100-104	21%	24%
105-109	22%	25%
110-114	23%	26%

CO ₂ emissions (g/km)	2018/19	2019/20
115-119	24%	27%
120-124	25%	28%
125-129	26%	29%
130-134	27%	30%
135-139	28%	31%
140-144	29%	32%
145-149	30%	33%
150-154	31%	34%
155-159	32%	35%
160-164	33%	36%
165-169	34%	37%
170-174	35%	37%
175-179	36%	37%
180-184	37%	37%
185-189	37%	37%
190+	37%	37%

Add 4% for diesels not meeting the RDE2 standard up to 37%

*For cars with 1-50g/km CO₂ emissions, pure electric range is taken into account



KEY POINT:

Spring review of company car tax

CO ₂ emissions (g/km)	2020/21
0	2%
1-50	2-14%*
51-54	15%
55-59	16%
60-64	17%
65-69	18%
70-74	19%
75-79	20%
80-84	21%
85-89	22%
90-94	23%
95-99	24%
100-104	25%
105-109	26%
110-114	27%
115-119	28%
120-124	29%
125-129	30%
130-134	31%
135-139	32%
140-144	33%
145-149	34%
150-154	35%
155-159	36%
160-164	37%
165-169	37%
170-174	37%
175-179	37%
180-184	37%
185-189	37%
190+	37%

Pure EV Miles	
130+ miles	2%
70-129 miles	5%
40-69 miles	8%
30-39 miles	12%
<30 miles	14%



VEHICLE EXCISE DUTY (VED)

As has become tradition, the Budget document revealed that Vehicle Excise Duty for cars will rise in line with the retail price index from 1 April 2019.

The exact figures for these rises are expected to be announced nearer the time. However, the Government also announced a review of VED rates based on the impact of the new WLTP emissions regulations. This is also due to be announced in the Spring of 2019.

For those businesses running HGVs, the Government will freeze the HGV VED for the 2019-20 tax year.

For van operators, the Government signalled the introduction of delayed VED-based environmental incentives.

The Budget document said: "The Government will shortly publish a summary of responses from the consultation on VED reform for vans, published in May 2018. The response will set out proposals to introduce environmental incentives from April 2021. Bands and rates will be set out ahead of Finance Bill 2019-20."



KEY POINT:

New van VED rates from April 2021

VAN BENEFIT AND CAR AND VAN FUEL BENEFIT

Included in the Budget are changes to Van Benefit and Car and Van Fuel Benefit which will take effect from 6 April 2019.

The cash equivalent where a van is made available to an employee for private use will increase to £3,430 for 2019/2020. The value of the multiplier for calculating the cash equivalent of the fuel benefit for a car will increase to £24,100 for 2019/2020. The flat rate charge for the van fuel benefit will be increased to £655 for 2019/2020.



FUEL DUTY

As the Prime Minister announced earlier this month, fuel duty was frozen for the ninth year in a row. Chancellor Philip Hammond claimed this has saved a typical driver around £1,000 over the nine years and the average van operator £2,500.



KEY POINT:

Fuel duty frozen for ninth year

ELECTRIC VEHICLES

The Budget document revealed the Government will extend the 100% first year enhanced capital allowance for companies investing in electric vehicle charge points to 31 March 2023.

"This will help achieve the Government's ambition for the UK to become a world-leader in the ultra-low emission vehicle market," the Chancellor said.

Mr Hammond also gave a £78 million boost to electric vehicle development with a grant to the Stephenson Challenge which "supports innovation in electric motor technology, making vehicles lighter and more efficient than ever before".



KEY POINT:

100% allowance for charge point investment extended

CAPITAL ALLOWANCES

Hidden in the Budget document was a reduction in the capital allowance for cars with CO₂ emissions above 110g/km.

From April 2019, the capital allowances special rate for "qualifying plant and machinery assets", which includes cars with a CO₂ figure above 110g/km, will be reduced from 8% to 6% to "more closely match average accounts depreciation", according to the Chancellor.



KEY POINT:

Capital allowance reduction for higher CO₂ cars



ROADS

The Government moved closer to its promise to ring-fence VED to roads infrastructure investment with the Chancellor stating that between 2020 and 2025, £28.8bn will be spent on a National Roads Fund.

“The fund will provide long-term certainty for roads investment, including the new major roads network and large local major roads schemes, such as the North Devon Link Road,” according to the Budget document.

The majority of this fund, £25.3bn, will go towards a “Roads Investment Strategy 2”.

This is the largest ever investment in England’s strategic roads. It will enable the Government to invest in “the A1(M) link to Newcastle, and progress transformative projects like the A66 Trans-Pennine, the Oxford-Cambridge Expressway, and the Lower Thames Crossing”.

Ahead of the National Roads Fund, the Government will also allocate £420 million to local authorities in 2018-19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe.

A further £150 million fund will be available to local authorities for small improvement projects such as roundabouts and junctions.



KEY POINT:

VED funds to be ring-fenced



£25.3BN
for major roads
schemes 2020-25



£420M
for potholes
immediately



£150M
for local junction
improvements
immediately

MOBILITY

With the Chancellor claiming “technology is changing many aspects of the economy – including the vehicles we drive – and the Government is considering how the tax system will need to adapt to manage those changes” the Budget sets out funding for Future Mobility Zones.

These areas will have a fund of £90m from the National Productivity Investment Fund to “trial new transport modes, services, and digital payments and ticketing”.

The first £20 million of this will be allocated to the West Midlands.



KEY POINT

Future Mobility Zones to trial
new transport technology

Source: HM Treasury Autumn Budget 2018

For more information on the Budget visit

HM Treasury Autumn Budget 2018
[https://www.gov.uk/government/publications/
budget-2018-documents](https://www.gov.uk/government/publications/budget-2018-documents)



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