

2016 BUDGET REPORT



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This report brings you important, fleet-relevant highlights from the 2016 Budget. In what was seen as a cautious Budget by many commentators the Chancellor still managed to deliver a few surprises.

■ Overview

The Chancellor kicked-off his 2016 Budget statement by setting out a picture of a turbulent world economy.

The Office for Budget Responsibility (OBR), which produces the figures that George Osborne works to, had predicted a UK economy that would grow in the next five years, but the growth was not as strong as had been predicted as recently as last summer.

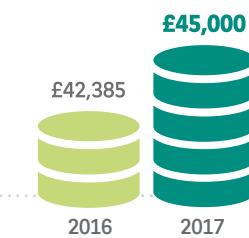
With this backdrop, Mr Osborne said he would cut public spending further and at the same time encourage business growth.

Corporation Tax



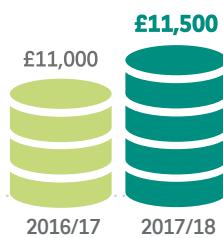
One of his central pillars was reform of business taxation with a headline-grabbing cut in corporation tax to 17% by 2020, down from the current 20%, coupled to the closure of loopholes used by some multi-national companies to avoid tax.

Income Tax Threshold



He also announced a rise in the threshold at which employees change from the 20% to 40% rate of income tax. From April 2017 this figure will rise to £45,000, a significant increase from the current £42,385 threshold (this will rise to £43,000 in the coming weeks).

Personal Allowance



Personal allowance will also rise to £11,500 in 2017/2018 from £11,000 in 2016/2017.

National Insurance

The National Insurance upper earnings limit will also increase to remain aligned with the higher rate threshold.

Company Car and Van Tax

The 2016 Budget document revealed that the Government plans to stick with using CO₂ as a method for taxing company cars at least until the 2020-21 tax year. However, it stopped short of revealing what the Benefit-In-Kind (BIK) bands for that year would be.

In 2013, the Chancellor had committed to reviewing company car tax for sub-76g/km CO₂ cars in this 2016 Budget. While no new details have been revealed, the Chancellor added he would "refocus incentives on the cleanest cars" from April 2020.

This statement also reaffirmed the Autumn 2015 announcement that the 3 percentage point differential between diesel cars and petrol cars will be retained until April 2021.



KEY POINT

CO₂ company car taxation under review but to remain in place until at least 2021.

The van benefit charge, which currently stands at £3,150, will also be increased by inflation. However, the Government committed to supporting zero-emissions vans by charging only 20% of the main rate for these vehicles in the tax years 2016-17 and 2017-18. After that the 20% figure will increase on a "tapered basis to 5 April 2022", according to the Chancellor. He added:



The government will review the impact of this incentive at Budget 2018 together with enhanced capital allowances for zero-emission vans.



Company Car Tax Table

CO ₂ Emissions	2015/16	2016/17	2017/18	2018/19	2019/20
0	5%	7%	9%	13%	16%
1-50	5%	7%	9%	13%	16%
51-75	9%	11%	13%	16%	19%
76-94	13%	15%	17%	19%	22%
95-99	14%	16%	18%	20%	23%
100-104	15%	17%	19%	21%	24%
105-109	16%	18%	20%	22%	25%
110-114	17%	19%	21%	23%	26%
115-119	18%	20%	22%	24%	27%
120-124	19%	21%	23%	25%	28%
125-129	20%	22%	24%	26%	29%
130-134	21%	23%	25%	27%	30%
135-139	22%	24%	26%	28%	31%
140-144	23%	25%	27%	29%	32%
145-149	24%	26%	28%	30%	33%
150-154	25%	27%	29%	31%	34%
155-159	26%	28%	30%	32%	35%
160-164	27%	29%	31%	33%	36%
165-169	28%	30%	32%	34%	37%
170-174	29%	31%	33%	35%	37%
175-179	30%	32%	34%	36%	37%
180-184	31%	33%	35%	37%	37%
185-189	32%	34%	36%	37%	37%
190-194	33%	35%	37%	37%	37%
195-199	34%	36%	37%	37%	37%
200-204	35%	37%	37%	37%	37%
205-209	36%	37%	37%	37%	37%
210 and above	37%	37%	37%	37%	37%

* up to a maximum of 37%



Capital Allowances



KEY POINT

Main capital allowance band drops to 110g/km CO₂.

Mr Osborne used the 2016 Budget to further tighten:

- The CO₂ band for the main capital allowance rate on company cars.
- The point at which vehicles can qualify for the 100% first year writing-down allowance.

The main 18% capital allowance rate, from April 2018, will only be available to cars with CO₂ emissions of up to 110g/km, a drop of 20g/km on the current cut-off point. At the same time, the current 75g/km cut-off point for the 100% first year allowance will drop to 50g/km CO₂ in a bid to encourage only the most efficient cars.

The Chancellor also committed to running this new 100% first year figure for three years until April 2021.

Insurance Premium Tax



KEY POINT

Insurance Premium Tax rises to 10%.

Insurance costs look set to rise following a 0.5 percentage point increase in Insurance Premium Tax (IPT) which is due to be implemented from this April. The current IPT rate of 9.5% is being raised to 10% with income used to improve the UK's flood defences. The Chancellor said he expected this rise to generate an additional £700 million by 2020. According to the Treasury's calculations the additional cost to each car insurance policy will be £2 per year.

Fuel Duty



KEY POINT

Fuel duty freeze continues.

Despite the widespread expectation that fuel duty would be increased in line with inflation, particularly given the current low price of petrol and diesel, the Chancellor continued the freeze on fuel duty increases for a sixth consecutive year.

Roads

While many company car taxes were tightened, business travel was given a boost by the Chancellor. In the 2016 Budget he committed the Government to four major road infrastructure projects and two new rail lines.

In the North, Mr Osborne said he would invest an additional £161m to speed up the M62's upgrade to a four-lane motorway, plus £75 million to improve other road links across the North including projects on the A66 and A69.

The fourth roads project revealed in the Budget was the development of a plan for a trans-Pennine tunnel to improve links between Manchester and Sheffield.

The Chancellor added that he was also giving the green light to the High Speed 3 rail link project between Manchester and Leeds as well as commissioning London's Crossrail 2 project for new North-South rail link.

As well as infrastructure projects the Chancellor announced a £50m increase to the Pothole Action fund for 2016-17.

To the delight of M4 drivers, he also promised to halve the toll on the Severn Bridge in 2018.

The Seven Bridge price drop will mean that:



Car drivers will pay
£3.30
(rather than the current £6.60)



Light Commercial Vehicles is
set to fall to
£6.60



Goods vehicles over 3500kg
will see charges fall to
£9.90

Salary Sacrifice



KEY POINT

The full range of salary sacrifice schemes under review.

The Government claimed that it is considering the range of employee benefits that salary sacrifice schemes can be used for.

According to the statement:



The Government wants to encourage employers to offer certain benefits but is concerned about the growth of salary sacrifice schemes: Clearance requests for salary sacrifice arrangements from employers to HMRC have increased by over 30% since 2010. The Government is therefore considering limiting the range of benefits that attract income tax and NICs advantages when they are provided as part of salary sacrifice schemes.



The Budget set out some areas where salary sacrifice schemes would definitely still be allowed, but didn't comment on car schemes.

Autonomous Cars

Mr Osborne used the 2016 Budget to add further impetus to the Government's aim that the UK should be a world leader in autonomous cars. Alongside the well-trailed announcement that the UK's motorway network would host trials of truck

platooning, the Budget statement revealed a new £15 million 'connected corridor' on the A2 and M2 between London and Dover. This is to enable vehicles to communicate wirelessly with infrastructure and potentially other vehicles.



KEY POINT

Investment in driverless cars.



Vehicle Excise Duty

After last year's surprise announcement by the Chancellor of a new system for Vehicle Excise Duty (VED) set for introduction in April 2017, this year saw the announcement of a simple inflation based increase in VED rates to come into play from 1 April.



KEY POINT

Vehicle Excise Duty to rise in line with inflation.

Fuel Benefit Charges



KEY POINT

Tax-break for zero-emission vans.

The fuel benefit charge for company car and van drivers taking free fuel will rise in line with inflation from 6th April 2017.

Tax year	Car fuel benefit Multiplier	Van fuel benefit charge
2016 - 2017	£22,200	598
2015 - 2016	£22,100	594

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