

WEST YORKSHIRE FIRE AND CIVIL DEFENCE AUTHORITY

TAXATION OF LEASED CARS

OPERATIONAL STAFF

There have been a number of enquiries from officers for an indication the income tax implications of different types of leased car. Unfortunately, because of the way the tax is calculated, it is not possible for the Transport Unit to provide an accurate estimate of the tax liability of particular vehicles. However, it is possible for an officer to estimate his own tax liability using the formula provided below:

Basis of Taxation

It has been agreed with the Inland Revenue that because operational cars are fitted with blue lights, two tone horns, two way radios and permanent aerials, they fall outside the scale for "scale charges" which is the normal method of taxing company cars.

However, there may still be a taxable benefit of the vehicle under S156 of Income and Corporation Taxes 1988 and this is calculated as follows:

- A The greater of either:
1. 20% of the original market value of the vehicle (this is the P11d value of the car plus delivery charges); or
 2. total annual leasing cost of the car (this is the total of the service rental, the finance rental and the VAT).
- B Add any other expenses: running costs etc (these are already included in the leasing costs).
- C Deduct the officer's contribution towards the cost of the vehicle.
- D Deduct the business portion of the above. This is calculated by dividing the sum of A to C above by the total annual mileage and multiplying the answer by the annual business mileage.
- E The total of A to D is the Taxable benefit of the vehicle on which income tax will be calculated at the appropriate rate for the officer concerned.

The attached table shows examples of the calculation.

TAXATION OF LEASED CARS OPERATIONAL OFFICERS		
	Purchase price of the car including optional extras	£16,921.00
	Add delivery	£500.00
	Total cost	£17,421.00
A1	20% of Market Value	£3,484.20
	Annual leasing cost	
	Finance rental	£2,571.73
	Service rental	£592.36
	VAT	£225.03
A2		£3,389.12

	GREATER OF A1 or A2			£3,484.20
C	Deduct officers contributions Monthly contribution		57.28	-£744.64
	Net cost of Vehicle			£2,739.56
D	Calculation of business proportion			
	Estimated total annual mileage	X	18000	
	Estimated business mileage	Y	2500	
	Net cost of vehicle divided by X multiplied by Y			-£380.49
E	TAXABLE BENEFIT OF CAR			£2,359.07
	Income tax			

Annual Four weekly	25%	£589.77
		£45.37
Annual Four Weekly	40%	£943.63
		£72.59