



Advice on Business Travel Taxation brought to you by MWL Consulting

The Government is planning to change the taxation of business travel to take effect in April 2009. The final rules have not yet been published and as ever the devil is in the detail

However this is a précis of what is known so far:

In the Budget 2008 it was announced that the Government intends to promote the take up of cleaner cars by reforming the taxation of business travel. Essentially the existing capital allowance treatment for business cars will be replaced with an emissions based approach

The Rates of Allowance

From 1 April 2009 for corporation tax purposes (6 April 2009 for income tax) the capital allowance treatment of all cars will change

- Expenditure on cars with CO² emissions above 160g/km will attract 10% Writing Down Allowance (WDA) and go into a special rate pool
- Expenditure on cars with CO² emissions of 160g/km or below will attract 20% WDA. Subject to State aid approval, cars leased to those in receipt of certain disability allowances will be placed in the 20% main pool, regardless of their CO² performance
- The 100% first year allowances (FYA) for the cleanest cars will be extended from 31 March 2008 to 31 March 2013 and the qualifying CO² emissions threshold will be reduced to 110g/km

Rates of Disallowance

The rules which disallow a proportion of car lease rental payments will be reformed in line with the new capital allowances rules. The new disallowance will be 15% of the relevant payments, applied to cars dealt with in the 10% special rate pool. ***The Government is considering the option of applying the disallowance only to the final business user in a chain of leases***

In addition to this:

- The 100% FYA for gas re-fuelling infrastructure investment will also be extended from 31 March 2008 to 31 March 2013 and will include biogas infrastructure
- The company car tax rates will be increased on all but the cleanest cars emitting less than 135g CO²/km or less in 2010-11
- The incentive to drive fewer miles will be strengthened by increasing the fuel benefit charge at least in line with the Retail Prices Index from April 2009
- Tax-free mileage allowances, rates and thresholds will be maintained at current levels

The final new rules will be published this Autumn and MWL Consulting will be maintaining a watching brief. As soon as practicably possible thereafter **FINANCE INDUSTRY TRAINING** will offer training and advice on the new low emissions allowance regime



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