

When does the diesel supplement apply?

Introduction

Employees with a company car are taxed – often quite heavily – for the privilege. The charge is on the benefit which the employee derives from being able to use their company car for private journeys.

The amount charged to tax is a percentage of the 'list price' of the car – known as the 'appropriate percentage'. The percentage depends on the level of the car's CO2 emissions. A supplement applies to diesel cars. For 2019/20, as for 2018/19, the supplement is set at 4%. However, the application of the diesel supplement cannot take the percentage of the price charged to tax above the maximum charge of 37%. Consequently, the diesel supplement has no practical effect where emissions are 170g/km or above as the maximum charge already applies.



The nature of the diesel supplement was reformed from 6 April 2018. From that date it applies to cars propelled solely by diesel (not hybrids) which do not meet the Real Driving Emissions 2 (RDE2) standard. The supplement is levied both on diesel cars which are registered on or after 1 January 1998 which do not have a registered Nitrogen Oxide (NOx) emissions value, and also on diesel cars registered on or after that date which have a NOx level that exceeds that permitted by the RDE2 standard.

Checking whether the supplement applies

So, how can employers tell whether the diesel supplement applies?

Diesel cars which meet the level of NOx emissions permitted by Euro standard 6d meet the RDE2 standard. Consequently, they are exempt from the entire diesel supplement. For cars that are manufactured after September 2018, employers can use the Vehicle Enquiry Service (see <https://vehicleenquiry.service.gov.uk/>) to identify whether a particular car meets the Euro 6d standard – the employer simply needs to enter the registration number of the car into the tool to find information on the vehicle, including its Euro status. Cars that are shown as meeting Euro status 6AJ, 6AL, 6AM, 6AN, 6AO, 6AP, 6AQ or 6AR meet Euro standard 6d and are therefore exempt from the diesel supplement. Where the car was registered on or after 1 September 2018, this information is also shown on the vehicle registration document, V5C.

From 6 April 2019 onwards, employers should use fuel type F (rather than A as previously) when reporting the allocation of a diesel car meeting the Euro 6d standard to HMRC on Form P46(Car) or when payrolling the benefit.

Cars that do not meet the Euro 6d standard are subject to the diesel supplement. HMRC advise that very few, if any, diesel cars were exempt from the diesel supplement in 2018/19.

Example 1

Alan is allocated a company car registered in 2015. The car has CO2 emissions of 120g/km. It does not meet the Euro 6d standard. The diesel supplement applies and the appropriate percentage is increased by 4% from 28% (the percentage applying for 2019/20 to petrol cars with CO2 emissions of 120g/km) to 32%.

Example 2

Louise is allocated a new diesel company car on 6 April 2019. The V5C shows that the car has CO2 emissions of 120g/km and that it meets Euro Status 6d. The diesel

supplement does not apply and the tax charge for 2019/20 is based on the appropriate percentage of 28% for cars with CO2 emissions of 120g/km.

Recommendation

Employers should review the car fleet to see if the supplement does apply. The rules are potentially updated annually as the Government encourages the investment into cleaner technology and reduced car emissions. The situation will need to be continually monitored to ensure it is providing good value to your employees, the business and to stay compliant.

Information to readers

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