



## EMPLOYMENT ISSUES

Hugh Davies & Co.  
CHARTERED ACCOUNTANTS

### Company cars and the fuel scale charge

Where a car is provided for an employee's private use, a taxable benefit arises which is based on the list price of the car and its CO2 emissions. The percentages range from 15% to 35% for most cars. There are currently discounts available for environmentally friendly cars and from 6 April 2008 there will be a 2% discount for cars that have been manufactured to run on E85 fuel.

If free fuel is provided for private motoring then a fuel benefit tax charge arises based on the percentage used for the car benefit and a 'multiplier', which is currently £14,400. For 2008/09 the figure will increase to £16,900.

#### *Comment*

*The fuel scale charge figure has not changed since it was introduced in 2003. This rise, combined with an increase in the car benefit percentages for 2008/09, means that many employees will see a substantial increase in their tax bills from next April.*

*Employers should seriously consider whether the fuel benefit is worth maintaining, as the associated Class 1A payable by employers on benefits in kind will also go up.*

### National Insurance Contributions (NICs)

In the last Pre Budget Report, all of the NIC rates were announced for the forthcoming year but, this year, no rates at all were announced!

In this year's Budget, significant proposed changes to the limits between which NICs are payable were announced. For 2008/09 the upper earnings limits (UEL), above which employees continue to pay contributions of 1% on earnings, will be increased by £75 per week above indexation.

The upper profits limit for Class 4 national insurance for the self-employed will also be increased in 2008/09 by £75 per week above indexation.

In the following year the upper earnings limits will be aligned with the point at which the higher rate of income tax becomes payable.

#### *Comment*

*The government claims the increases in national insurance are aimed at simplifying the tax system but it comes at quite a cost to employees and the self-employed.*



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### Other NIC changes

Under an exemption that has existed since at least the 1960s, employers in the construction industry can pay into a third-party pooled holiday pay scheme, from which employees receive their holiday pay. There is no liability to deduct employer and employee NICs on that payment.

HMRC have become aware that this exemption is being used by large employers of workers outside the construction industry, putting significant amounts of revenue at risk. From 9 October 2007, the exemption is withdrawn for all businesses but the construction sector. For the construction sector, a five year transitional period will be introduced before the exemption is withdrawn completely on 30 October 2012.

**For more information, contact Hugh Davies on 01722 336647.**

### Disclaimer – for information of users

This summary is published for the information of clients. It provides only an overview of the main proposals announced by the Chancellor of the Exchequer in his Pre-Budget Statement, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this summary can be accepted by the authors or the firm.