



EMPLOYMENT ISSUES

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. From 6 April 2008, if the car's emissions are less than 120g / km the percentage is lowered to 10%, and 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'. For 2008/09 the multiplier figure will increase from £14,400 to £16,900. There are indications that future increases in the fuel benefit charge could be higher than the rise in the Retail Price Index.

Tax-free mileage allowances rates and thresholds will be maintained at current levels.

Comment

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 April 2008.

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. Freezing the tax free mileage payments is not good news when petrol prices have increased so much since the 40p and 25p rates were introduced

National Insurance Contributions (NIC's)

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 general inflation, to £770 per week (equivalent to £40,400 p.a.)

The upper profits limit for Class 4 national insurance for the self-employed will also be increased in 2008/09 from £34,840 to £40,400 p.a.

In 2008/09 the upper earnings limits will be aligned with the point at which the higher rate of income tax becomes payable.

Comment

This means that more earnings will be subject to main rates of NIC. 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.

ENTERPRISE MANAGEMENT INCENTIVES

The investment limit for each individual's qualifying options increases from £100,000 to £120,000. The qualifying rules are tightened, excluding companies with more than 250 employees, and excluding companies involved in shipbuilding or coal and steel production.