

## NEWS UPDATE

### Cars & Vans – further news

Most of you will be aware that the present system of calculating car benefits was introduced on 6 April 2002. At that time a car with CO2 emissions of 165 qualified for the lowest % charge on list price of 15%. The ratings figure for 2005/06 will be 140. For example an employee with a company car having a list price of £30,000 and an emissions rating of 205 will have seen their benefit in kind rise from £6,900 in 2002/03 to £8,400 in 2005/06. This means an increase in tax payable of £600 for a 40% taxpayer.

For those companies providing diesel cars, there is a 3% supplement to the employee benefit unless the vehicle is Euro IV compliant. When completing P46(car) forms, the fuel type should be entered as L and not D.

Cars that do not exceed an emissions rating of 120 may qualify for a 100% write off in year one. Details of such cars can be found on [www.comcar.co.uk](http://www.comcar.co.uk).

For vans, the rules are changing more dramatically. Up until 5 April 2007 there is a basic charge of £500 (£350 if the van is 4 years old or more). This is reduced to Nil to those employees who take the van home and are not allowed any other private use.

As from 6 April 2007, the benefit charge rises to £3,000 PLUS a fuel charge of £500. The restricted private use rule will continue to apply. Therefore it will be important to ensure that restricted private use means only taking the van home from work and going from home to work.

### Looming Deadlines

- 1) April 19<sup>th</sup> – Interest will run on any 2004/05 PAYE and NIC deductions not paid over.
- 2) May 19<sup>th</sup> – Employers' year end returns (P35, P14 & P38) due for submission.
- 3) May 31<sup>st</sup> – Employees must be provided with their P60's.
- 4) July 6<sup>th</sup> – Submission of P11d's and P9D's dealing with details of expenses paid and benefits provided to employees and directors. Copies must also be provided to each employee.
- 5) July 19<sup>th</sup> – Class 1A NIC for 2004/05 on most benefits in kind provided to employees for 2004/05 must be paid. Interest runs from this date on late payments.

### Pension Schemes

On 6 April 2006 the rules for making tax-free contributions to pension schemes change.

Everyone will be able to contribute 100% of their earnings into a pension scheme subject to an annual cap of £215,000 for 2006/07. For those very high earners, they may contribute more but any excess in contributions will be subject to a 40% charge.

There is a downside! There will be a tax charge on withdrawals if they exceed a lifetime limit. For 2006/07 this limit is £1.5million. The tax rates will be 25% if the excess is used to buy a pension and 55% if the excess is taken as a lump sum. If you have amassed a significant pension fund before 6 April 2006, then register it with the Inland Revenue to cap the effect of the potential 55% tax charge. Also postpone any contributions in excess of the current pensions cap until after 6 April 2006.

**Peter**