

## Car averaging: guidance for new arrangements from 6 April 2009 (updated November 2009)

This extract from the Employment Income Manual is published in advance of changes to the equivalent pages in the manual itself. This page contains an index and details of changes from 2010/11 onwards. The guidance itself begins on the next page.

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### Changes which affect 2010/11 onwards

The following changes have been made to the 2009/10 arrangements for 2010/11 onwards. They are picked out in red on the relevant pages.

1. More flexibility in the date on which the sample is taken ([EIM23656](#))
2. Tables extended beyond 2010/11 and typo corrected ([EIM23657](#))
3. Band boundaries slightly revised to accommodate one additional band ([EIM23658](#))
4. Employers may combine adjacent bands in specified circumstances ([EIM23658](#))
5. Changes resulting from changes to car benefit itself ([EIM23659](#) and [EIM23660](#))
6. Other minor, consequential changes (not specified)

## **EIM23650 - Car benefit: employees in the motor industry (from 2009/10): when is there a car benefit charge?**

All employees chargeable to car benefit are subject to exactly the same legislation. Both the conditions under which car benefit is chargeable ([EIM23002](#)) and the calculation of the benefit charge ([EIM23101](#)) apply equally to all. In particular, the decision in *Pepper v Hart* (65TC421) on marginal cost does not apply to car benefit.

However, HMRC recognises that problems arise in applying the law strictly in the three situations described below. The guidance in this section (pages EIM23650 onwards) explains how HMRC apply the law in those situations. Similar guidance has existed since car benefit was introduced in 1976.

The three situations are:

1. Test and experimental cars ([EIM23651](#))
2. Demonstrator and courtesy cars: is there a benefit charge at all? ([EIM23652](#))
3. Employees with frequent changes of car ("averaging", [EIM23653](#) onwards)

The arrangements described in these pages seek to build on existing best practice and produce consistency for employers and employees in these situations.

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23651 - Car benefit: test and experimental cars (from 2009/10): when is there a car benefit charge?**

[EIM23650](#) provides the background to this page.

The term “test and experimental cars” refers to cars being used for testing in a documented research programme by a manufacturer of either the car or of the specific components under test.

The use for testing purposes of experimental/developmental cars by engineers in both the motor and motor components industries will be looked at in the light of all the facts.

The background is that test engineers in both the motor industry and the components industry are often required, as part of their jobs, to test cars under various driving conditions. For certain types of test such as cold starting, the only practical way of conducting them is for the engineers concerned to use the cars for private journeys and to report on their performance.

In law, private use of the test car inevitably results in car benefit being chargeable. However, HMRC will not apply car benefit where the primary use of the car is for testing and any private use is clearly subsidiary to that testing.

Where the employees concerned have another car benefit car allocated to them on a permanent basis and they use the test car instead, the test car can be regarded as a replacement car ([EIM23502](#)). In such cases, no separate tax charge arises because of its use.

Where, however, the test car is used in addition to the normal car (for example, if the normal car is used by family members while the employee has the test car for private use), car benefit will be chargeable on the test car unless the “primary use” condition described above is met.

With the same exception, car benefit may apply where the employee is not chargeable to car benefit on their normal company car. For example, car benefit will apply where test cars are used for an employee's holiday travel.

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23652 - Car benefit: demonstration and courtesy cars (from 2009/10): when is there a car benefit charge?**

[EIM23650](#) provides the background to this page.

HMRC accepts that a car can be a tool of the trade for the car salesman and servicing staff but has always held the view that this is not a sufficient reason for introducing special arrangements where private use is allowed.

There is one, very minor exception. Where, as part of the normal duties, a director, car salesperson or demonstrator takes a car home for the express purpose of calling on a prospective customer, or servicing staff take a car home overnight as part of a collection and delivery arrangement with a customer, the car will not on that account alone be treated as available for private use. In essence, the whole journey is for a genuine business purpose.

If, however, such a car is otherwise available for the employee's private use, for example on journeys home when no such call is scheduled, at weekends or for holidays, the appropriate car benefit will be chargeable.

The fact that an employee might occasionally take home a car under arrangements which fall within this exception will not cause any reduction in the car benefit to which they would otherwise be liable.

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## EIM23653 - Car benefit: employees with frequent changes of car (from 2009/10) - introduction

### Arrangements from 6 April 2009

From this date, all previous local arrangements are replaced by a single national arrangement drawn up following consultation with the main trade bodies and described in these pages.

**From this date, staff are not authorised to enter into local variants** and any such local variant is therefore not valid. Any employer not wishing to take advantage of the national arrangements described here must comply with their full, statutory obligations.

### Why special arrangements are necessary

It is common practice, both in motor manufacturing and the retail car sales industry (both new and used), for an employee to have the contractual right to take a car, but not a particular car, home. This is also true of employees in the same contractual position in the daily car rental business and to some employees of fleet operators.

Applied strictly, the system for charging car benefits based on price and CO2 emissions could mean a considerable amount of record keeping and administrative work where there are **very** frequent changes of car. HMRC recognises the need for administrative simplicity in such cases and has therefore always made arrangements to accommodate these administrative difficulties within the terms of the car benefit legislation.

These arrangements are applied solely for the purpose of simplifying the calculation of the amount of the car benefit charge and **are not intended to result in a lower or higher tax charge for the employees involved**. See [EIM23654](#) for more about claims to special treatment.

### Nature of the arrangements

These are described from [EIM23655](#) onwards.

### Employees' rights

Note that employees affected by these arrangements are entitled to have their car benefit computed under the statutory arrangements on the basis of the particular cars made available to them throughout the year should they so wish.

However, the employee will be individually responsible for providing evidence of the cars actually made available to them each day, as their employer is not required to keep such records under these arrangements (see [EIM23666](#) for guidance on procedures and record-keeping).

It would be helpful if an employee intending to do so discusses their intention with their employer.

### 2008/09 and earlier years

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23654 - Car benefit: employees with frequent changes of car (from 2009/10) – requests for special treatment**

In cases where employees in the motor industry have frequent changes of car within [EIM23653](#), two arguments for special treatment are sometimes raised.

### **Not a regular car**

The first is that an additional discount or reduction should be allowed from the charge calculated for the notional car on the grounds that the employee does not know what car is being made available from day to day, only that a car will be available.

### **Older cars**

The second is that, in second-hand car dealerships, only older cars are available and that charging the full statutory benefit is inequitable.

### **Comments on both reasons**

In neither case is special treatment possible. The reason is simple: the legislation makes no allowance for either scenario. To make such an allowance would compromise the basic principle that this approach is as close to the statutory position as possible and is not intended to result in a lower benefit charge than would be the case if the car benefit were calculated separately for every single car (see [EIM23653](#)).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23655 - Car benefit: employees with frequent changes of car - averaging process: outline**

As [EIM23650](#) explains, the basic rule in law is that each employee is chargeable on every car made available to them which is within the car benefit charge. That legislation applies equally to employers and employees covered by this guidance, that is to those described at [EIM23653](#). This guidance explains how the car benefits legislation is applied to those employers and employees.

In cases covered by this guidance, each employee is deemed to drive a single notional car powered by petrol instead of the multitude of real cars actually available to them.

The following pages describe how the averaging process operates in practice:

- Averaging Step 1: identify cars to be averaged ([EIM23656](#))
  - Cars without a CO2 emissions figure: [EIM23657](#)
- Averaging Step 2: separate the cars into groups ([EIM23658](#))
- Averaging Step 3: calculate the average price of the notional car in each group ([EIM23659](#))
- Averaging Step 4: calculate the average CO2 emissions and appropriate percentage of the notional car in each group ([EIM23660](#))
- Averaging Step 5: determine the benefit charge for the notional car in each group ([EIM23661](#))
- Averaging Step 6: identify employees within these arrangements ([EIM23662](#))
- Averaging Step 7: allocate those employees to groups ([EIM23663](#)).

There is an example of Steps 1 to 5 at [EIM23664](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## EIM23656 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 1: identify the cars to be subject to averaging

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

### STEP 1: identify cars to be averaged

Each franchise site (new car dealerships) or location (other car traders, car leasing businesses, daily rental businesses and fleet operators) records the cars actually available to employees for private use:

- for 2009/10, on the night of 5/6 April 2009
- for 2010/11 onwards, on a night of the employer's choice during the period 17-31 January in the previous tax year (so 17-31 January 2010 for 2010/11).

These cars are averaged (as detailed on later pages of this guidance) into the notional cars for each group for that tax year.

At new car dealerships, this typically means all demonstrators (including those being used by customers when the count is done) plus any other cars actually available to employees, so long as those cars are available for private use by employees (including travel between home and work).

Particularly in leasing and daily rental businesses and fleet operators, HMRC accepts that not all cars on the premises on the **date the sample is taken** in each year are available to employees for private use. HMRC will be guided by decisions on this made by the employer so long as procedures are in place under which the employer monitors use in practice and takes action if employees fail to abide by the employer's rules.

All employers will need to be able to demonstrate what their policies are in theory and how those policies are put into effect and monitored in practice.

The details to be identified for each car are:

- list price of the car and any accessories fitted to it, including delivery and VAT (do not cap this at £80,000 at this stage, **even for 2009/10 or 2010/11**)
- CO2 emissions figure
- fuel

Exceptions:

- if a car does not have a list price, the notional price ([EIM23130](#)) is to be used instead
- if the car does not have a CO2 emissions figure, see [EIM23657](#).

See [EIM23665](#) for how this step operates in multi-franchise locations.

Step 2 can be found at [EIM23658](#).

### Special rule for daily rental businesses

Instead of counting the cars available at each location, daily rental businesses may use details of the cars in their entire fleet in which private use by staff is permitted. They can do so on a regional basis or, if they prefer and this gives a reasonable proxy for cars actually available to employees across the country, nationally. This policy decision should be stable over time, not change from year to year as a matter of expediency.

### 2008/09 and earlier years

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23657 - Car benefit: employees with frequent changes of car (from 2009/10) – Averaging cars without a CO2 emissions figure**

[EIM23360](#) explains when a car has a CO2 emissions figure. If (exceptionally) a car which does not have a CO2 emissions figure is identified at Averaging Step 1 as being within these arrangements, use the following figures. They are derived from the normal rules for such cars at [EIM23415](#) and [EIM23480](#) respectively, being the highest emissions figure in the ready reckoner at [EIM23410](#) which gives rise to the relevant appropriate percentage.

### **Cars first registered on or after 1 January 1998**

Engine size	2009/10	2010/11	2011/12 onwards
0-1400cc	135	130	125
1401 – 2000cc	185	180	175
over 2000cc	235	230	225
rotary engine	235	230	225

### **Cars first registered before 1 January 1998**

Engine size	2009/10	2010/11	2011/12 onwards
0-1400cc	135	130	125
1401 – 2000cc	170	165	160
over 2000cc	220	215	210
rotary engine	220	215	210

Step 2 follows at [EIM23658](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## EIM23658 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 2: group the cars subject to averaging

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 1, described at [EIM23656](#).

### STEP 2: separate the cars into groups

From 6 April 2009, the next step is to separate the cars identified at Step 1 into groups.

#### Daily rental businesses

These businesses already group the vehicles they make available for hire for commercial reasons. The groups determined by each rental business therefore form the basis for averaging, using the prices determined at Step 1.

#### All other qualifying businesses

Groups for these businesses (new and used car traders, car leasing businesses and fleet operators) are determined solely by price, as follows:

For 2009/10			For 2010/11 onwards		
Group	Price from	Price to	Group	Price from	Price to
1	£0.00	£8,999.99	1	£0.00	£8,999.99
2	£9,000.00	£11,999.99	2	£9,000.00	£11,999.99
3	£12,000.00	£16,999.99	3	£12,000.00	£16,999.99
4	£17,000.00	£22,999.99	4	£17,000.00	£22,999.99
5	£23,000.00	£34,999.99	5	£23,000.00	£30,999.99
			6	£31,000.00	£39,999.99
6	£35,000.00	£49,999.99	7	£40,000.00	£49,999.99
7	£50,000.00	£64,999.99	8	£50,000.00	£64,999.99
8	£65,000.00	£79,999.99	9	£65,000.00	£79,999.99
9	£80,000.00	upwards	10	£80,000.00	upwards

Changed figures in the second table are in *italics* (this is not replicated in the pages in the manual).

From 2009/10, HMRC will use these price ranges for the private use VAT charge for demonstrator cars (see section 25.3 of the V-series Customs document on input tax; to find it, search the HMRC website on "V1-13"). V1-13 will be updated to show the new ranges accordingly.

#### Combining bands

From 2010/11 only, employers may combine two adjacent bands for the entire tax year where, throughout that year, employees consistently use a number of models for private use which fall into the price range of two such bands. This must apply to all employees in a location; it cannot apply to some and not to others.

#### Meaning of "price"

In this context, "price" means the list price of the car and any accessories fitted to it, including delivery and VAT, as determined under Step 1. In the exceptional case in which a car does not have a list price, the notional price ([EIM23130](#)) is to be used instead.

#### Other points

See [EIM23665](#) where there is only one car in a group.

Step 3 follows at [EIM23659](#).

#### 2008/09 and earlier years

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23659 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 3: average price of notional car**

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 2, described at [EIM23658](#).

### **STEP 3: Calculate the average price for the notional car in each group**

This is achieved using this process:

- take the uncapped price of each car in the group, as determined at Step 1 ([EIM23656](#))
- add these together and divide by the number of cars in the group
- **for 2009/10 to 2010/11 only**, restrict the result to £80,000 if, exceptionally, this is necessary
- the result is the price for the notional car in that group.

Daily rental businesses will also need to calculate the average price of the cars in their fleet which are available to staff, in accordance with their decision at Step 1 ([EIM23656](#)), i.e. the cars counted **when the sample is taken** or those in their entire fleet which are available to staff, counted nationally or regionally.

Step 4 follows at [EIM23660](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23660 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 4: average CO2 emissions of notional car and find appropriate percentage**

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 3, described at [EIM23659](#).

### **STEP 4A: average CO2 emissions for the notional car in each group**

This is achieved using this process:

- ignore any cars in a group which do not have a CO2 emissions figure
- take the CO2 emissions figure of each other car in the group, as determined at Step 1 ([EIM23656](#)) and add these together
- add 15 for each diesel car in the group to which the diesel supplement applies ([EIM23421](#))
- for 2009/10 to 2010/11 only, for cars which are not QUALECs (i.e. have CO2 emissions figures of 121 g/km or higher, [EIM23402](#)):
  - deduct 15 for each hybrid
  - deduct 10 for each bi-fuel (type B, [EIM23105](#)) car or car manufactured to run on E85 (type G, [EIM23455](#))
- now bring any cars which do not have a CO2 emissions figure back into the calculation by adding the figure obtained from [EIM23657](#)
- divide the result by the number of cars in the group

The result is the CO2 emissions figure for the notional car in that group (round down to the next integer).

### **STEP 4B: find the appropriate percentage for the notional car**

Because the effect of all fuels other than petrol has been taken into account in the above calculation, the notional car is deemed to run on petrol.

The appropriate percentage for the year is therefore determined using the ready reckoner at [EIM23410](#) without the need for any further adjustments.

Step 5 follows at [EIM23661](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23661 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 5: benefit charge of notional car**

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 4, described at [EIM23660](#).

### **STEP 5: Calculate the car benefit charge for the notional car in each group**

For the notional car in each group, multiply the average price (as determined at Step 3, [EIM23659](#)) by the appropriate percentage (as determined at Step 4, [EIM23660](#)).

#### **Example**

There is an example of Steps 1 to 5 at [EIM23664](#).

Step 6 follows at [EIM23662](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23662 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 6: identify qualifying employees**

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 5, described at [EIM23661](#).

### **STEP 6: identify qualifying employees**

These arrangements only apply to employees within the groups described at [EIM23653](#) (motor manufacturing, the new and used retail car sales industry, car leasing and daily car rental businesses and fleet operators) who have the contractual right to take a car home but are not allocated a particular car.

On 6 April in each tax year, the employer lists employees qualifying as described above. The list will need to be amended as the year proceeds and new staff join or existing staff leave.

Step 7 (the final step in the averaging process) follows at [EIM23663](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23663 - Car benefit: employees with frequent changes of car (from 2009/10) - Averaging Step 7: allocate qualifying employees to the notional cars**

[EIM23653](#) explains why the arrangements described on this page exist and [EIM23655](#) explains how the guidance on them is laid out.

This page follows from Step 6, described at [EIM23662](#).

### **STEP 7: allocate qualifying employees to car groups**

This should pose little difficulty in practice. The employer simply allocates each member of staff to a group, thus determining which cars are available to them. This may be done on an individual basis or by job type (e.g. sales executive, service manager). The number of employees allocated to a group may not exceed the number of cars in that group, but all groups must be populated with employees because those groups only contain cars which are available to employees for private use.

There are three main exceptions to this standard pattern:

- an employee joining during the year is allocated to the appropriate group from the date on which they are first entitled to use a grouped car. A form P46(car) is completed using the details of the notional car for that group and the date goes onto their first form P11D.
- an employee leaving during the year: a P46(car) is completed showing that the car has been withdrawn and the date of leaving goes onto their final P11D.
- an employee who changes their job during the year may move up or down a group. No P46(car) is required (though the employer may complete one if they wish) and they are shown on form P11D as having two cars available in succession during the year, the first up to and the second from the date of change.

If an employee uses a car of a different group, see [EIM23665](#).

### **Special rule for daily rental businesses**

These rules apply where only one grade or kind of employee is allowed to use cars privately at each location and that employee is instructed to use a car from the lowest available group. Each employee should be allocated to the group set by the rental business with an average price immediately below the average for all available cars as determined at Step 3 ([EIM23659](#)). They are deemed to use a car in that group, even though they may be allowed to use and actually use cars from higher and lower groups depending on availability.

If an employee has a free choice of what car to use, the average price determined at Step 3 should be used and the CO2 emissions figure calculated for that car using the rules at Step 4 above.

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## EIM23664 - Car benefit: employees with frequent changes of car (from 2009/10) - benefit charge of notional car - example

This page gives an example of Steps 1-5 of the process described at [EIM23655](#). Daily rental businesses should adapt it to the slightly different rules which apply to them.

A non-rental business has 8 cars to be averaged for 2009/10, spread between 5 models:

Model & car number	List price of particular variant	Accessories	Averaging price	CO2 emissions	Fuel	HMRC group
A1	9,995	755	10,750	109	diesel	2
A2	10,995	905	11,900	145	petrol	2
A3	11,995	1,105	13,100	124	diesel	3
B4	11,495	955	12,450	159	petrol	3
B5	13,995	1,255	15,250	124	diesel	3
C6	18,995	2,005	21,000	187	petrol	4
D7	19,995	2,505	22,500	164	hybrid	4
E8	21,995	2,005	24,000	223	petrol	5

The average price is calculated as follows:

HMRC group	2	3	4	5
A1	10,750			
A2	11,900			
A3		13,100		
B4		12,450		
B5		15,250		
C6			21,000	
D7			22,500	
E8				24,000
<b>Total price</b>	<b>22,650</b>	<b>40,800</b>	<b>43,500</b>	<b>24,000</b>
<b>Cars in group</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>Average price</b>	<b>11,325</b>	<b>13,600</b>	<b>21,750</b>	<b>24,000</b>

The average CO2 emissions and appropriate percentage for 2009/10 are calculated as follows:

HMRC group	2	3	4	5
A1	109			
A2	145			
A3		124		
B4		159		
B5		124		
C6			187	
D7			164	
E8				223
<b>Diesel adjustment</b>	<b>15</b>	<b>30</b>		
<b>Hybrid adjustment</b>			<b>-15</b>	
<b>Total emissions</b>	<b>269</b>	<b>437</b>	<b>336</b>	<b>223</b>
<b>Cars in group</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>Average CO2</b>	<b>134</b>	<b>145</b>	<b>168</b>	<b>223</b>
<b>Appropriate percentage</b>	<b>15%</b>	<b>17%</b>	<b>21%</b>	<b>32%</b>

The car benefit for each group for 2009/10 is therefore:

HMRC group	2	3	4	5
<b>Average price</b>	<b>11,325</b>	<b>13,600</b>	<b>21,750</b>	<b>24,000</b>
<b>Appropriate percentage</b>	<b>15%</b>	<b>17%</b>	<b>21%</b>	<b>32%</b>
<b>Car benefit</b>	<b>1,698</b>	<b>2,312</b>	<b>4,567</b>	<b>7,680</b>

### 2008/09 and earlier years

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards. [Back to Index](#)

## **EIM23665 - Car benefit: employees with frequent changes of car (from 2009/10) - practical issues**

This page deals with some practical issues which arise in car averaging agreements.

### **Multi-franchise locations**

If there is more than one franchise at a location and cars are effectively pooled for this purpose, the groups may each contain models from both makes. If, however, staff at each franchise primarily use cars from that franchise, separate groupings should be created for each franchise.

Equally, if a franchise actually provides cars from another manufacturer for its staff to take home and its demonstrators are not in fact used privately, the groups are constructed from the cars not allocated to individuals but actually available to staff for private use (see step 6 at [EIM23662](#)).

### **Employee uses car of a different group**

The normal rule is that an employee must use a car of the group to which they are allocated. However, there will inevitably be occasions when this is not possible.

The rules for replacement cars at [EIM23502](#) are adapted to this situation. No charge will be made for the replacement car (whether of a higher or lower group) if

- it is not materially better than the normal (i.e. notional) car, or
- it is not made available under an arrangement of which the main purpose, or one of the main purposes, is to provide the employee with the benefit of a car that is materially better than a car of the group to which they are allocated.

### **Only one car in a group**

As the example at [EIM23664](#) shows, it is possible for there to be only one car in a group. It might appear that the employer cannot use these averaging arrangements in such situations.

That is not the intention. As long as the employee works in the kinds of business described at [EIM23653](#) and does not have a car allocated to them, so qualifying to be allocated to a group, we allow employers to use these simplified arrangements even though there is only one car in a group. This allows all qualifying employees to be treated in the same way.

### **Claims to special treatment**

See [EIM23654](#).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23666 - Car benefit: employees with frequent changes of car (from 2009/10) - procedures and record-keeping**

Employers will need to keep the following records about the cars:

- cars available to employees for private use **as determined in the sample taken to determine the notional cars for that** tax year
- price for each car, i.e. list price plus accessories, including VAT
- CO2 emissions and fuel for each car
- the groups to which the cars were allocated
- the car benefit charge for each group and how this was calculated

and these about the employees:

- list of employees entitled to use those cars in the tax year
- group to which each employee is allocated
- why that employee (or group of employees) was allocated to that group
- dates on which new employees join or current employees leave
- any employee who changes group in a year, with the date of change

Failure to do so may result in HMRC taking action to recover car (and, if appropriate, car fuel benefit) on the statutory basis, both for future and past years.

### **Form P11D**

Form P11D should be completed annually with the relevant details for each employee. It will only be necessary to report two cars for an employee where that employee changes groups in the year.

### **Form P46(car)**

Forms P46(Car) will only be necessary when an employee joins or leaves the employment. No form will be necessary if an employee changes groups, whether in year or between years.

### **Other administrative points**

See [EIM23653](#) about the right of employees to have their benefit calculated on the statutory basis.

See [EIM23654](#) about claims to special treatment.

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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## **EIM23667 - Car benefit: employees with frequent changes of car (from 2009/10) - car fuel benefit**

The car fuel benefit legislation applies to employees with cars subject to averaging as it does to all others. There is an index to the guidance on car fuel benefit at [EIM23700](#).

Employers who operate car dealerships inevitably provide fuel for their cars, e.g. for demonstration drives. It follows that in such cases the car fuel benefit charge has been incurred if the car is available for private use. In all other situations within the scope of this guidance, fuel is also provided for the car unless the employee personally buys for all fuel (business or private) and is not reimbursed for any of it. Simply using fuel already in a car and not replacing it constitutes using fuel which has been provided for the car.

### **Employers providing private fuel**

Employers may choose to provide private fuel to some or all employees. They should complete P11D accordingly, using the appropriate percentage for the notional car as determined at [EIM23660](#) (also see example at [EIM23664](#)).

### **Employers NOT providing private fuel**

Employers who choose NOT to provide private fuel to an employee (and therefore believe that the car fuel benefit charge should be nil) must recognise that the legal onus is on them to demonstrate that the statutory conditions at [EIM23761](#) are met. They need to be able to prove that, in the tax year, the employee was required to make good the full cost of any fuel used privately on the basis that private mileage was all done in the notional car, and that they have actually done so. .

The advisory fuel rates can be used for this purpose, as described at [EIM23781](#); it will be necessary to calculate the engine size of the notional car if this option is chosen.

If they cannot, the full charge (calculated as in [EIM23763](#)) applies.

### **Accounting for VAT on the private use of fuel.**

These arrangements apply only for income tax and NICs. They do not affect how VAT is accounted for on any private fuel (see Notice 718 and V1-13 Chapter 19).

### **2008/09 and earlier years**

This guidance applies only for 2009/10 and later years. Local arrangements applied for years to 2008/09 as described at [EIM23640](#) onwards.

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