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**BE TAX SMART.
USE WEBFLEET
LOGBOOK.**

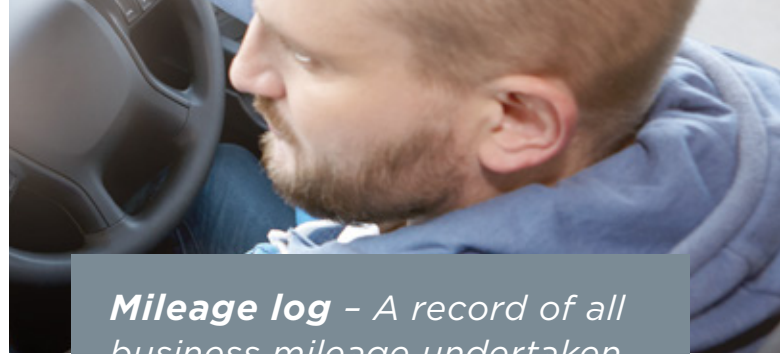
Webfleet Solutions tax guide

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BE TAX SMART. USE A TAX-COMPLIANT LOGBOOK.

Company vehicles are a valuable benefit for employees. But they also have tax implications, including penalties for businesses that fail to comply with the rules.

The good news is that with the right tools and knowledge, you can reduce your tax burden. How? By using an electronic mileage log such as WEBFLEET Logbook.

Log and save

For companies, keeping an electronic logbook gives great peace of mind: it helps ensure that employee benefits are taxed accurately, so as to avoid penalties from HM Revenue and Customs (HMRC). An electronic logbook is also a huge advantage for workers, as the tax burden can be lowered by proving the business use of a company car or van.

With the aid of an electronic mileage log, companies and drivers will be able to:

- Make the most of opportunities to reduce the tax burden.
- Generate mileage and expense reports automatically.
- Demonstrate compliance with tax and National Insurance obligations.
- Generate cost savings by ensuring only reimbursement of actual business miles.

Find out more here.

Mileage log – A record of all business mileage undertaken by employees. The log should include dates of each journey, start and end locations with postcodes, companies or clients visited, the starting and closing mileage, and total business miles driven.

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TAX LAW IN THE UK

In the UK, employees often end up paying dearly for the private use of company vehicles, because the non-wage benefit is subject to income tax as part of the employee's wages. Employers are also liable for duty, and while defined as a National Insurance Contribution (payment to the UK social security system) rather than a tax, the bottom line is it costs them money, too.

What is private use?

HMRC defines private use as everything not related to work. Business travel means journeys strictly related to work duties, or trips such as meetings with suppliers or business partners. Ordinary commuting from home to work counts as private use.

COMPANY VEHICLES - THE TAX VIEW

Here is an overview of how HMRC views typical scenarios regarding company vehicles in the UK.

Private cars

Under HMRC's Approved Mileage Allowance Payments, employees using their own cars for business journeys can claim up to 45p per mile tax-free for the first 10,000 miles, 25p per mile thereafter, with a supplement of 5p per mile if sharing the car with a business colleague. If an employer follows these guidelines when reimbursing employees for business mileage, then there will be no tax or National Insurance contributions and no reporting requirements. See Appendix A for more details.

Employers should ensure that employees maintain a record of their business miles. In the event of a HMRC compliance review, the employer will be expected to provide evidence of business versus private use.

Company cars

There are two types of taxable benefit, or benefit in kind, applying to company cars.

- **Car benefit:** If an employee has private use of a company car, he/she will pay income tax on the benefit in kind. The value of the benefit is calculated using the car's list price, its percentage of CO₂ emissions, and the type of fuel it runs (see Appendix). Car benefit is also important for employers, as employers must pay 13.8% of the value of the car benefit in National Insurance Contributions.
- **Fuel benefit:** A fuel benefit applies if the employee is provided with free or subsidised fuel for private travel. The benefit is calculated using the same percentage as the car benefit, on a flat amount of £22,600 for the 2017/18 tax year, which often leads to a significant tax/National Insurance bill. However, if the employee pays the full cost of all fuel used in his/her private journeys (or fully reimburses his/her employer), no fuel benefit tax charge will arise.

The best way for employers and employees to demonstrate tax compliance is to keep an accurate record of all private trips made.



Company vans

In HMRC terms, a van is defined as a goods vehicle with “a design weight not exceeding 3,500 kilograms”. Employees may use company vans for insignificant private use, such as commuting to work, without having to report it or pay any duty to HMRC.

If the private use is enough to be considered “significant”, the employee and employer will need to pay the applicable taxes:

- Van benefit: A flat rate taxable benefit for the employee of £3,230 for the 2017/18 tax year. And 13.8% on the value of the car benefit for the employer.
- Fuel benefit: A flat rate taxable benefit of £610 for the 2017/18 tax year for the employee. And 13.8% on the value of the car benefit for the employer.

See section 4 (example 2), showing how employees and employers can save taxes by using a logbook on a company van.

If a company van has zero private use, HMRC expects employers to be able to provide supporting evidence. As an employer, the best way to stay compliant is to require your employees to maintain a mileage log.

Pool cars or vans

HMRC defines a pool car or van as a vehicle available for work purposes to more than one driver, and not used for any significant private activity. Also, the vehicle must be kept onsite overnight, not at an employee’s home.

If the “pool” criteria are met, no benefits-in-kind taxes will apply for individual employees. But if the vehicle has significant private activity, it falls under the same tax classification as a company car.

To avoid doubt, a good practice is to maintain a mileage log including information about locations visited, the reason for the journey and the name of the driver. Employers should also set out a clear policy for all employees who have access to the vehicle.

DON'T RISK A PENALTY!

HMRC regularly issues penalties for businesses who fail to comply with its rules, in line with the potential tax revenue lost, and the degree of responsibility or guilt.

- 100% penalty (deliberate and concealed action).
 - 70% (deliberate but not concealed action).
 - 30% (careless action).
 - 0% (genuine mistake, after taking reasonable care).
- It is also possible that the penalty can be issued but not levied by HMRC if the company is able to demonstrate it is compliant going forward.

Example penalty:

Susan has been driving a company car for the previous six years, and she believes she has paid all necessary taxes, with her employer also having paid National Insurance charges on time. However, it turns out Susan’s employer did not report fuel provided for private journeys, as they did not have sufficient controls in place, such as a logbook, to distinguish between private and business fuel. The car is diesel-powered and has emissions of 170g/km.

The maximum penalty to Susan’s employer can be up to 100% of the unpaid tax and NIC due to a failure to report the benefit in kind. However, in practice we expect the penalty position to be in region of 30%. Susan’s employer could also be liable for a cumulative fine of £18,000 for an incorrect P11D form. If the penalty for the employer involves more than one vehicle, or the whole fleet, the total amount can be very high.

With proper forward planning and the right controls in place, Susan and her employer could have avoided these penalties.

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ADMINISTRATION REQUIREMENTS

UK tax year

The UK tax year runs from 6 April to the following 5 April.

Record-keeping

HMRC expects employers (and employees) to keep six years' worth of records related to benefits in kind, which means an electronic mileage logbook is an ideal tool for having error-free and easy-to-access data in the event of a tax audit.

Key tax forms for employers

- **P11D** – A mandatory form for UK-based employers covering the taxable benefits they have provided during the tax year to their directors and employees.
- **P46 (Car)** – All employers must complete this form if there is a change that affects car benefits for an employee or a director for whom a car is made available for private use.
- **Form P87** – A form which can be used to claim tax relief on work-related expenses.



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EXAMPLE TAX SAVINGS

Example 1: COMPANY CAR BENEFIT-IN-KIND CHARGE

An employee is provided with a petrol company car on 6th April 2017 which had a list price of £20,000, and CO2 emissions of 170 g/km.

The employee

Jack drives a company car worth £20,000, which runs on petrol. The vehicle's CO₂ emissions of 170 g/km mean Jack's car benefit is charged at 33% of £20,000, leading to an amount of £6,600 before tax for the 2017/2018 tax year.

If Jack never pays for the fuel he uses on private journeys, he will also have to pay tax on £7,458 in the 2017/18 tax year for the fuel benefit.

Total Fuel and Car Benefit in Kind: £14,058.

As Jack is paying income tax at the 20% rate, he will effectively face an annual tax bill of £2,817 for his company car.

If Jack's private use of his company car is insignificant, he could show evidence of that by using an electronic logbook, and in this way reduce the tax hit.

Using an electric logbook, Jack is able to more accurately track his business and private mileage. As this can be identified, Jack can repay the cost of his private mileage thus removing the benefit in kind tax.

The employer

ZYR Foods, as the employer of Jack, will need to pay Class 1A National Insurance Contributions on Jack's car and fuel benefit.



So, the company faces a bill of 13.8% of £14,058, leaving them owing HMRC £1,940 in National Insurance.

Multiplied over a fleet and the bill could be much larger.

If the amount of private activity on Jack's company car is insignificant, the employer can ask Jack to show evidence by using an electronic log book.

In this way, ZYR Foods can reduce the National Insurance bill arising from the employee's benefit in kind.

Similar to the above, where Jack is able to identify private mileage using the electronic logbook, he can repay the cost of all private fuel, saving ZYR national insurance contributions at 13.8% on the value of the fuel benefit.

| | Calculation | Tax and NIC | Explanation |
|---------------------------------------------------------------------------------------------|-----------------|----------------|------------------------------------------------------------------------------------------------------------------|
|  CAR | £20,000 * 33% | £6,600 | List price multiplied by CO ₂ emissions percentage |
|  FUEL | £22,200 * 33% | £7,458 | Fuel benefit figure for 2017/18 tax year multiplied by CO ₂ emissions |
| TOTAL | | £14,058 | Total benefit in kind charge. |
| Employee Tax at 20% | £14,058 * 20% | £2,817 | Assuming the employee is a basic rate tax payer (earns less than £43,000). Income tax due from employee via P11D |
| TOTAL | | £2,817* | Total liability for the employee. |
| 'ER NIC | £14,058 * 13.8% | £1,940** | Payment of Class 1A NIC due from employer via Form P11D(b) |

* this is a cost to the employee
** this is a cost to the employer (social charges)



Example 2: TAX SAVINGS FROM A COMPANY VAN

LMN Fruits operates a fleet of company vans. For the 2017/18 tax year, the company has provided one of its senior employees with access to a van.

Tax implications for the employee

There will be a benefit in kind charge of £3,230 for the private use of the company van, and £610 for fuel if that is provided by the employer; a total taxable benefit of £3,840. If the employee is paying income tax at the highest rate tax band (currently 40%), he/she will face a tax bill of £1,536.

Tax implications for the employer

LMN Fruits will pay a National Insurance Contribution of £530 on the employee's taxable benefit.

Tax savings from using a mileage log book

If the employee maintains a logbook during the fiscal year demonstrating insignificant private use of the company van, both LMN Fruits and its employee would be able to avoid paying the charges mentioned above.

There is no statutory definition as to what constitutes 'insignificant'; to consider what is insignificant employers will need think about indicators such as the number of private journeys, the private distance traveled and the patterns of travel. If the employer has any doubts whether private use is insignificant then they can ask the employee to maintain records to support the position and validate it against the odometer readings.

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HASSLE-FREE WAY TO REDUCE YOUR TAX BURDEN

While a notebook and pen might sound like the obvious answer to logging mileage records, those who have experienced such systems know them to be a mountain of paperwork, and prone to human error. In fact, a Webfleet Solutions survey* has shown that more than half of company car drivers who use a manual method spend more than two hours a month recording and submitting logbooks.

The administrative burden can be lifted with WEBFLEET Logbook. Once the device is activated and running, administration becomes a lot easier.

Through WEBFLEET Logbook's easy-to-use app, drivers can review and add important information to their recorded trip, including:

- Type of trip (business or private)
- Purpose of the journey
- Dates, locations
- Miles travelled
- Business contacts**
- Notes

WEBFLEET automatically generates the logbook report, which can be downloaded to a PC or sent by e-mail from the Logbook App. Logbook reports provided by WEBFLEET can be used to verify the tax details are correct, when requested by tax authorities.

* Survey in UK: https://www.webfleet.com/en_gb/webfleet/landingpages/mileage-registration/a/

** Can be imported from the driver's smartphone calendar

*** Access to Trip Log is not possible through PRO 2020 driver terminal

Why go electronic?

By subscribing to a telematics system, employers enable their employees (and the company) to satisfy HMRC about company vehicle usage, which helps to avoid any extra benefit in kind taxes or National Insurance charges. An electronic logbook is a great advantage for drivers, too, as it means they can quickly amass reliable evidence of their (business) journeys – enabling them to reduce their tax burden and avoid hassle along the way.

WEBFLEET comes with automated logbook functionality and a Logbook App. It delivers and stores reliable trip data so you can prove your vehicle or fleet's mileage:

- Prove the exact level of business and private use of your car.
- Comply with legal requirements in the UK, while cutting down on time-consuming admin.
- Drivers enjoy 24/7 access via smartphone, computer or a PRO Driver Terminal***. Drivers are enabled to save time with user-friendly features such as automatic suggestion of trip type.





CONTACT US

Interested in learning more about how WEBFLEET Logbook can help you reduce your tax burden?

Leave your contact details and get a call back today.

Tel. 0208 822 3605

- Choose from a variety of hardware options: LINK 201 is easy to install or remove using an OBD II port, while LINK 410 and LINK 510 hardware cannot be easily removed by the driver.
- Tools included in WEBFLEET LITE, complementing logbook functionalities, make it the right solution for small enterprises and private drivers: real-time vehicle tracking, visible tracing, instant alerts, basic trip reports.
- Additional tools are available as add-ons to the base WEBFLEET LITE version, appropriate for medium and large fleets, that make WEBFLEET a best-in-class fleet management solution. These include driver and fleet manager functions, OptiDrive 360, messaging, maintenance, large list of reports, order management, PRO driver terminals, connection to tachograph and .connect (to access WEBFLEET through web-enabled applications).





APPENDIXES - THE SMALL PRINT

Additional tax legislation from HMRC is available at <https://www.gov.uk/government/organisations/hm-revenue-customs>

Appendix A

HMRC Approved Mileage Allowance Payments for private vehicles. These payments cover mileage as well as general expenses like servicing, insurance and interest on any loan to buy the vehicle. Any reimbursements over and above HMRC's approved levels must be reported as a benefit to the employee

| Type of vehicle | Rate of allowance for tax | Rate of allowance for National Insurance Contributions |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Car or van | 45p per business mile for first 10,000 miles 25p per business mile for any subsequent miles 5p per mile supplement if carrying one or more passengers | 45p per mile for every business mile |
| Motorcycle | 24p per business mile | 24p per mile for every business mile |
| Bicycle | 20p per business mile | 20p per mile for every business mile |

Appendix B

HMRC Advisory Fuel Rates for company car drivers (from 1 March 2017). For company car drivers who are not provided with any fuel, employers should use HMRC's published advisory rates for reimbursing business travel.

| Engine Size | Petrol - Per mile | Engine Size | Diesel - Per mile |
|----------------|-------------------|----------------|-------------------|
| 1400cc or less | 11p | 1600cc or less | 9p |
| 1401cc-2000cc | 14p | 1601-2000cc | 11p |
| Over 2000cc | 22p | Over 2000cc | 13p |

Appendix C

Percentage of the full van benefit applicable to zero emission vans for the tax years 2015/16 to 2022/23

| |
|----------------|
| 2016/17 - 20% |
| 2017/18 - 20% |
| 2018/19 - 40% |
| 2019/20 - 60% |
| 2020/21 - 80% |
| 2021/22 - 90% |
| 2022/23 - 100% |