



Automotive

EMPLOYEE CAR OWNERSHIP SCHEMES

With increasing levels of benefit in kind being levied on company cars, the use of an ECO scheme could shelter your employees from tax increases.

You are no doubt faced with daily pressures to increase efficiencies and improve savings in your dealership. The introduction of an Employee Car Ownership (ECO) scheme offers the potential to deliver significant financial savings above those obtainable in a traditional company car arrangement.

ECO schemes are tax efficient schemes in which an employee owns their vehicle from day one, significantly reducing company car tax and National Insurance contributions as a result. With the increasing levels of benefit in kind being levied on company cars, the use of these schemes may be a sensible way of sheltering your employees from the tax

increases. Further benefits of the scheme include employer savings in Class 1A National Insurance and improved levels of employee retention, as well as financial assistance (through the employee contributions) towards the running costs of the demonstrator fleet.

The below table illustrates the tax costs of running two examples of company vehicles for 40% tax payers. In the case of the BMW, costs are set to rise by 27% across the next four years to a total of over £6,253 per annum. Similarly, the Ford will also see an increase in costs of 30% over the same period.

		2017/18	2018/19	2019/20	2020/21
BMW 320d M Sport Touring 123g/km List Price £35,220					
CO2 banding %		26%	29%	32%	33%
E'ee cost	40%	£3,663	£4,085	£4,508	£4,649
E'ers NI	13.80%	£1,264	£1,409	£1,555	£1,604
Total		£4,927	£5,494	£6,063	£6,253

Ford Focus Titanium 1.0 Ecoboost 108g/km List price £22,035					
CO2 banding %		20%	22%	25%	26%
E'ee cost	40%	£1,763	£1,939	£2,203	£2,292
E'ers NI	13.80%	£608	£669	£760	£791
Total		£2,371	£2,608	£2,963	£3,083

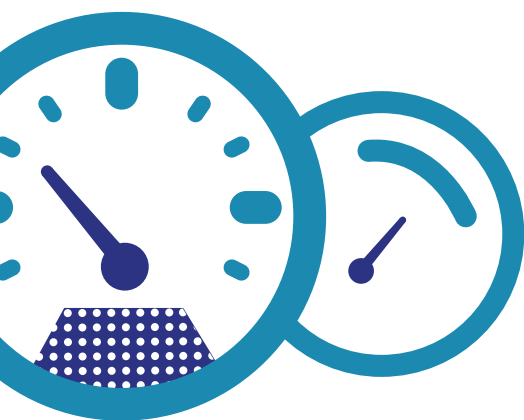
THE ALTERNATIVE TO THE TRADITIONAL COMPANY CAR

Under an ECO scheme, you would sell a car to your employee and provide them with funding to pay for the vehicle (in the form of a loan).

Typically, a scheme will see an employee make a monthly contribution from their net salary to pay for the vehicle. A credit sale agreement will be used to document the

required contributions, as well as outlining the final payment required to satisfy the agreement.

In lieu of a final payment, your employee can invite you to buy back the vehicle at a future date (for example, in six months) at its anticipated value at that date. This will result in the vehicle being taken back into stock and will remove the obligation for your employee to make the final payment.



ECO schemes offer the potential to deliver significant financial savings above those obtainable in a traditional company car arrangement.

Significant financial savings can be generated from a well-structured ECO scheme. However, for the arrangement to work for tax purposes there are some important things that need to happen:

- you must initially hold the 'title' to the vehicle to enable you to sell it to your employee;
- the 'title' must be transferred to your employee at the outset of the agreement;
- you must ensure your arrangement does not fall foul of the Consumer Credit Act;
- you must understand what the value of the vehicle will be at the end of the loan period; and
- the scheme must be acceptable to HMRC and you will need to have their approval.

HOW CAN WE HELP YOU?

Our automotive service offering is led by a team of experts who are totally dedicated to the sector and have considerable experience in the motor industry. We provide expert advice to dealers throughout the UK,

dealing with automotive clients from a local and regional perspective to working with a significant number of the Motor Trader Top 200 franchised dealer groups in the UK.

We can work with you to:

- Review any existing scheme and advise whether or not greater efficiencies can be delivered.
- Design a scheme which will meet the requirements for HMRC compliance and fall within the Consumer Credit Act requirements.
- Introduce you to third party funders who can finance the purchase of the vehicles.
- Undertake or assist in the administration of the scheme and also ensure tax compliance.
- Obtain HMRC approval and deal with any queries or disputes which arise.
- Help with the roll out of the scheme, including employee communications, presentations and individual meetings with employees.



THE NEXT STEP

If you would like further information about how an ECO scheme could benefit your dealership or would like to discuss the funding options available, please contact:

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Alternatively, you can find details of your local expert on our website at www.uhy-uk.com/automotive.

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