



E-Update: May 2011

This month Robert Bradley interviews Paul Brindley of Midlands Business Recovery, a member of the Bradley & Associates Professional Panel.

Dear All,

You are receiving this newsletter as a client or business contact of Bradley & Associates. Should you no longer wish to receive it at this Email address please follow the link below or email me your preferred address so that I can continue to keep you updated. *This month looks at the question of whether you should provide employees with company cars..*

Company car or mileage allowances?

In this year's budget George Osborne announced an increase in the rate of the tax-free allowances for directors and employees who use their cars for business travel. This is the first increase in the rate of approved mileage allowance payment rates in nine years.

New rates: since April 6 this year, the rates of tax and NI-free mileage allowances are:

- 45p per mile for the first 10,000 business miles (up by 5p per mile)
- 25p for all subsequent miles (no increase)

As an employer you will want to know how paying the recently increased mileage rates compares with the cost of providing an employee with a company car. The cost of paying a mileage allowance is simple to estimate because it's based solely on the number of miles an employee travels, but the cost of a company car can vary widely.

You can control how much you spend on buying the car but you can only estimate depreciation and running costs such as servicing. This means that the comparison between company cars and mileage allowances can be complicated.

As a rule of thumb unless your employees are travelling around 20,000 miles per year on business, you'll be better off paying mileage rates. Where you don't buy the company cars brand new or you pay above the approved mileage rates there's a greater chance a company car will be a cheaper option.

And what if it's your company?

If you employ yourself as a one man limited company then the decision becomes two sided and you will need to look at the after tax cost of the car and also the benefit in kind on you as a company director receiving the use of the car. It is often not worth providing yourself with fuel from the company because of the punitive fuel charges although this is mitigated by the drain on personal resources posed by ever increasing fuel prices. For more about company cars click [here](#).

Regards,

Robert Bradley

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