

Coronavirus (COVID-19)

Guidance for lease car drivers

August 2020

NHSBT recognises the impact of the coronavirus (COVID-19) pandemic on lease car contracts and drivers. Business travel has reduced significantly, since the beginning of March 2020, due to the pandemic and we have previously given assurance that costs associated with under contracted business mileage caused by the travel restrictions due to coronavirus would not be passed on to drivers.

The following guidance documents the approach for existing lease car contracts, those contracts terminating and/or taking on new contracts and the company car Benefit in Kind tax implications.

It is important that lease car drivers update their odometer readings in EASY expenses each month to enable mileage reviews to be completed accurately – even when they are not making a mileage claim.

1. Existing lease cars – mileage reviews

The next lease car mileage reviews are due at the end of September and will take place during October 2020. Six-monthly reviews take place each April and October.

When undertaking mileage reviews in October 2020 your business miles travelled will be ‘topped-up’ to the contracted number over the review period, for the period from March 2020 to September 2020. This will be kept under review.

This means that if you have undertaken no business miles, they will be credited as if you had undertaken them in full. If you have undertaken a lower number of business miles in this period they will be credited up to the full value.

In the unlikely event that you have travelled more than your contracted miles the lease car mileage review will happen as usual and no credit would be due.

Example October 2020 review calculations

Contracted business miles = 6,000 per annum (= 500 per month) = 3,500 for 1st March to 30 Sept 2020.

	<u>Example 1</u>	<u>Example 2</u>	<u>Example 3</u>
Contracted 7 mths business miles	3,500	3,500	3,500
Less actual business miles	<u>zero</u>	<u>1,150</u>	<u>3,950</u>
Credited business miles	<u>3,500</u>	<u>2,350</u>	<u>zero</u>

The business miles credit will be applied from 1st March to 30th September in the October 2020 mileage review. This will mean that the cost impact of reduced business mileage, which would otherwise be passed onto the driver, will be met by NHSBT.

The review of private mileage undertaken is unaffected. Any adjustments needed will take place as normal. This means that any credit due to a reduction, or cost due to an increase, in private mileage travelled will be passed onto the driver as normal.

The impact of any other changes to your business mileage will be reviewed and treated as normal.

2. End of lease contract mileage reviews

For cars reaching the end of their lease the principle of ‘topping up’ business miles described above will apply. When undertaking end of lease mileage reviews your business miles travelled will be ‘topped-up’ to the contracted number pro-rata each month from March 2020 onwards.

Example end of contact review calculations

Contract ends 26th October 2020

Contracted business miles = 6,000 per annum (= 500 per month) = 3,500 for 1st March to 26th Oct 2020 (7 months plus 26/31 days for Oct).

	<u>Example 1</u>	<u>Example 2</u>	<u>Example 3</u>
Contracted (7m+26/31d) bus miles	3,919	3,919	3,919
Less actual business miles (over same period)	<u>zero</u>	<u>1,150</u>	<u>3,950</u>
Credited business miles	<u>3,919</u>	<u>2,769</u>	<u>zero</u>

3. New/replacement lease car orders

The ongoing and long-term impact of the coronavirus on business travel remains unclear and unpredictable. Because of this we are suggesting that anyone considering ordering a replacement lease car also considers extending the contract for their existing lease car. Fleet Services will be able to advise on individual cases.

As the situation becomes clearer, and with the potential resumption of business travel, adjustments to the contracted mileage may be made at each six-monthly review.

If this is not an option, for example if your car has already been extended, then we are suggesting that business mileage is set at around half the number of business miles previously travelled. The 3,500 mile lower business mileage limit will remain. Advice about your individual circumstances is available from the lease car administrator, Knowles Associates.

4. Impact on tax – lease car Benefit in Kind (BIK)

Lease car Benefit in Kind tax is based on the car's list price, the Fuel type/CO2 emissions and the contribution you make towards private use.

If your contribution towards private use is reduced, usually this would be because of reduced private mileage, this will increase the amount of tax you will pay on the Benefit in Kind. The tax increase will be the tax due on the amount that your contribution is reduced by.

For example; if your contribution reduces by £100, then your tax would increase by the tax due on £100. For a 20% taxpayer this would be £20 and for a 40% taxpayer this would be £40. As you are no longer making that contribution, you will still benefit overall from the reduction, even though it would increase your tax due.

NHSBT now deducts lease car BIK tax at source, through the payroll, rather than by an adjustment to your tax code. So that the tax is adjusted in the current year through payroll, rather than retrospectively through your tax code.

The BIK is calculated over a year, so an adjustment will take place in the month when your contributions change which will apply for the remainder of the 2020/21 year unless a further adjustment is made. The BIK value is shown on your payslip each month

in MyESR;

MESSAGES FROM EMPLOYER
The Cash Equivalent of GB BIK Car and Car Fuel is 189.08

and in EASY;

Messages
56 pence has been removed from the net pay for Charity Giving
The Cash Equivalent of GB BIK Car and Car Fuel is 189.08

In the same way if your contribution increases it reduces the BIK tax due in the same way.

The HMRC Tax on Company Cars [page](#) provides more information and their Company Car and Car Fuel Benefit [Calculator](#) is also available to help estimate the tax you might pay.

5. Questions?

If you have any further questions please contact the lease car provider, [Knowles Associates](#).

31st July 2020