UHY Hacker Young
Chartered Accountants

Automotive Tax Planning and Compliance

Helping you prosper

This guide provides a summary of automotive tax planning and compliance-based frequently asked questions from our clients.

For more information, get in touch with one of our advisors.

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Helping you prosper

Senior Accounting Officer ("SAO") Guidance

Senior Accounting Officer ("SAO") guidance

Certain large UK companies must appoint an individual to be their SAO, to ensure the company establishes and maintains appropriate tax accounting arrangements to allow tax liabilities to be calculated accurately in all material respects.

SAO's can incur personal fines if they fail to comply with their obligations.

The SAO must give HMRC a certificate each financial year stating whether the company had appropriate tax accounting arrangements. If the company did not have appropriate tax accounting arrangements, they must also explain what the shortcomings were. The certificate must comply with certain prescribed specifications and must be unambiguous.

Which companies must appoint an SAO?

A company must appoint an SAO if it is a company incorporated in the UK for the financial year; and it has a turnover of more than £200 million and/or a relevant balance sheet total of more than £2 billion, either alone or when its results are aggregated with other UK companies in the same group, for the preceding financial year.

Dormant companies in a group, as well as active ones, must comply with the obligations.

Who should the SAO be?

The SAO is the director or officer of a company who, in the company's reasonable opinion, has overall responsibility for the company's financial accounting arrangements.

Each qualifying company must identify who its SAO is. Where a group of companies is involved, there may be a different person who acts as SAO for each company, a single person who acts as SAO for all the group companies or several different persons who act as SAOs for different parts of the group.

The role of the SAO cannot be filled by an agent.

Each financial year, a qualifying company must notify the name of its SAO to HMRC and must do so separately from the SAO Certificate. Only one person can be SAO at any one time, but the company may have more than one SAO over the course of a financial year. As the company must notify the details of all persons who have been its SAO over the course of a financial year and can supply only one notification for a financial year, it cannot make a notification to HMRC until the financial year has ended.

Public limited companies must notify HMRC within six months after the end of the accounting period. Other companies must notify within nine months after the end of the accounting period.

What must the SAO do?

An SAO's main duty is to take reasonable steps to ensure that the company establishes and maintains appropriate tax accounting arrangements. As part of this duty, an SAO must monitor the arrangements and identify any respects in which the arrangements fall short of the requirement.

Tax accounting arrangements are the framework of responsibilities, policies, appropriate people and procedures in place for managing the tax compliance risk, and the systems and processes which put this framework into practice. The tax accounting arrangements must allow for the tax liabilities of the company to be calculated accurately in all material respects.

Reasonable steps are the steps a person in this situation would normally be expected to take to ensure awareness of all taxes and duties for which the company is liable; ensure that risks to tax compliance are properly managed and enable the various returns to be prepared with an appropriate degree of confidence.

The steps that are reasonable will depend on the particular circumstances. Reasonable steps might include establishing and maintaining processes to ensure compliance with legal requirements and periodically checking and testing systems, controls, process flows and transactions.

An SAO would probably be expected to ensure that the introduction of new systems and processes, or changes to them, are supported by appropriate planning, risk assessment, implementation and evaluation activities.

Reasonable steps for an SAO to take would include ensuring the maintenance and retention of required records. An SAO would also be expected to ensure staff and any third party to whom responsibilities are delegated are appropriately trained, have the necessary guidance, qualifications, knowledge and experience needed to carry out their functions.

The SAO must perform the main duty throughout the period of their responsibility. It is not something that they can merely give attention to at the end of a year.

The SAO obligations apply in respect of corporation tax, VAT, PAYE, insurance premium tax SDLT, SDRT, petroleum revenue tax, customs duties, excise duties, including air passenger duty and bank levy. Note that they do not apply in relation to national insurance contributions.

Penalties

A penalty may be charged on a qualifying company if it fails to notify the name of its SAO within certain timescales.

A penalty may be chargeable on an SAO personally if they fail to meet their main duty, fail to give HMRC a certificate within the required timescale, or they provide a timely certificate that contains a careless or deliberate inaccuracy.
Each of these penalties is a fixed amount of £5,000.

A person is not liable to a penalty for a failure to notify details of an SAO, a failure to carry out the main duty, or a failure to provide a certificate on time, if they satisfy HMRC that they have a reasonable excuse for the failure, and they put right the failure without unreasonable delay after the excuse has ended.

A reasonable excuse is normally an unexpected or unusual event that is either unforeseeable or beyond the person's control, and which prevents the person from complying with an obligation under the SAO provisions. Reasonable excuse does not apply to a careless or deliberate inaccuracy in an SAO certificate.

HMRC guidance also says that HMRC will "not normally seek to assess penalties where a group of companies, or an SAO, omitted details of dormant companies where a risk assessment indicates minimal requirement for tax accounting arrangements". However, HMRC will only consider a company to be dormant for these purposes if it has no profits or income and no assets capable of producing profits, income or gains.

Tax Strategy

It is a requirement for certain businesses to publish online their tax strategy as it relates to UK taxation. For most organisations, this is typically a set of tax principles or short statements.

The requirement only applies to large businesses, including partnerships and LLPs.

A large business is one with either, or both, a turnover above £200 million and a balance sheet total over £2 billion. This includes all businesses handled by HMRC's large business directorate as well as the larger groups in its mid-sized business directorate.

Having a standalone Tax Strategy is not enough. You need to demonstrate that the strategy is integral to the way your business operates and embedded in your daily operations.

This is done by developing an internal Tax Policy, which underpins the principles in your Tax Strategy and typically includes most elements of the Tax Control Framework.

The development of a Tax Policy provides those with tax responsibilities with the mandate to clearly define and/or make changes in how tax is managed.

The content of the Tax Policy is often ‘forward-looking’ in the sense that once approved, the tax and finance function has the remit to make changes in the way that tax operates in the business.

Development of a tax strategy

We define a Tax Strategy as providing the vision for your current and future operations. You may wish or already be required to publish this externally in accordance with Finance Act 2016. Typically, this would be 2-3 pages setting out important tax principles, including your tax risk appetite, tax governance, approach to tax planning, and relationship with HM Revenue & Customs (“HMRC”).

Tax Investigation Insurance

Tailored Fee Protection Service

In the UK we live in an environment whereby the taxpayer is responsible for assessing their own tax and accordingly HMRC opens enquiries to check if the taxpayer has paid the right amount of tax.

The number of enquiries and businesses under scrutiny is ever increasing, especially with HMRC using a variety of sources to source data.

In the event of an enquiry, HMRC may seek to attend your premises and may wish to review all your underlying books and records. They will often try to raise an assessment for additional tax and this may trigger additional interest and penalties which can, in certain circumstances, be more than the tax at stake. Therefore, it is imperative that you contact us at the earliest opportunity so that we can manage the entire process whilst, once approved, you have peace of mind that our fees are covered.

Therefore, it is with great excitement that we are delighted to introduce a new opportunity that we have been able to negotiate with our tax insurers, Qdos Vantage.

Due to the high levels of turnover noted in the Auto Retail sector, premiums are often higher than what we would like to be able to offer. However, due to our sector expertise and knowledge, we have now been able to negotiate a bespoke automotive fee protection policy with our insurers going forward.

Subject to certain underwriting requirements, including HMRC enquiry history*, we are able to offer a more beneficial fee structure.

If you are interested in putting cover in place, please contact one of our team at the back of the leaflet or your usual UHY contact.

*HMRC Compliance Check History

Please advise if your business or any related businesses have experienced a HMRC enquiry check during the last 6 years and if so, provide full details or a copy of the enquiry closure notice(s). We need to separately notify the tax insurers of any such enquiry or investigation in advance.

Annual Tax on Enveloped Dwellings ("ATED")

What is the Annual Tax on Enveloped Dwellings ("ATED")?

ATED is a yearly tax payable where UK residential property is owned by non-natural persons, such as companies.

The ATED regime only applies to dwellings valued at more than £500,000 each. Your property is a 'dwelling' if all or part can be used as a residence (for example a house or flat). The value of the property includes any gardens, grounds, and buildings within them.

That value is initially based on the value on 1 April 2012 (for properties owned before that date), or the value on the date the property was acquired if later.

For ATED purposes, the taxable value of the property must be reassessed at five yearly intervals, the most recent being 1 April 2022. The total value must be determined on a market-value basis and can be agreed with HMRC in advance if needed.

There are some reliefs and exemptions that may reduce or eliminate your ATED liability, for example where a trading business provides living accommodation to certain qualifying employees.

When are the ATED return submission and tax payment deadlines?

The ATED charge is payable annually in advance by 30 April for the period for which the return relates, and the return is due for submission on the same date. For example, for the year running from 1 April 2023 – 31 March 2024 the ATED filing deadline was 30 April 2023, and the associated tax charge was payable on the same date.

How much are the ATED charges for 2023/24?

Property value	Annual charge
More than £500,000 up to £1 million	£4,150
More than £1 million up to £2 million	£8,450
More than £2 million up to £5 million	£28,650
More than £5 million up to £10 million	£67,050
More than £10 million up to £20 million	£134,550
More than £20 million	£269,450

Penalty position

There are penalties for late filing of the returns, late payment of tax, for not submitting a return or submitting a return that is incorrect or incomplete. However, should the company require assistance with appealing/mitigating such penalties, please let us know.

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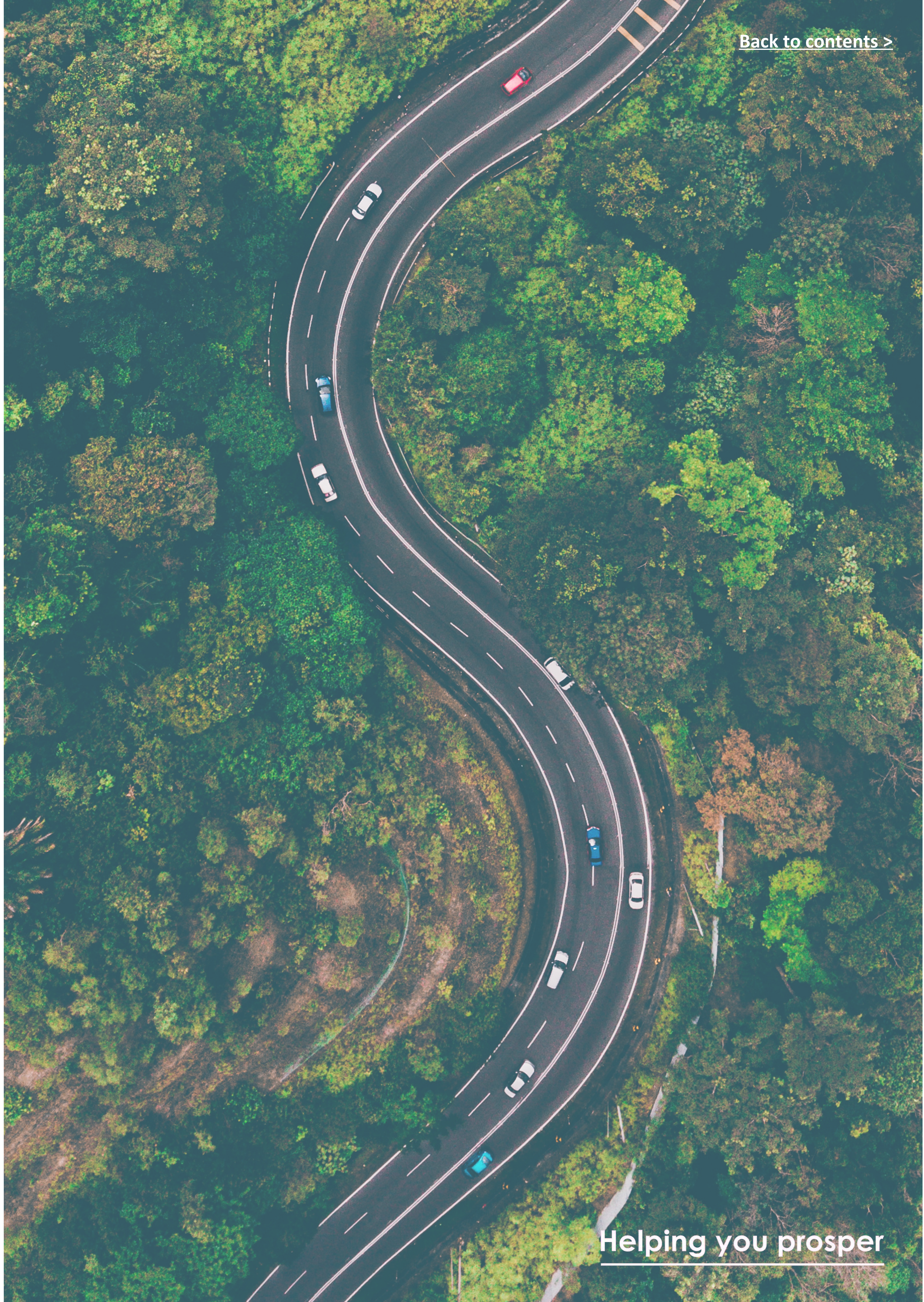

Capital Allowances-

Solar Panels, Mezzanine Floors and Paint/Spray Booths

Rather than being able to claim corporation tax relief on the depreciation charged in their accounts, companies can claim capital allowances on a variety of expenditure, the level of relief depending on the nature of the asset.

Companies can claim tax relief for certain plant and machinery and 'integral features'.

What are the common types of capital allowances?

Capital allowances available	Plant	Integral features	Claimable on expenditure incurred between	Limit on qualifying expenditure per year
Super-deduction	130%	50%	1 April 2021- 31 March 2023	None
Full expensing	100%	50%	1 April 2023- 31 March 2026	None
Annual Investment Allowance	100%	100%	Permanent relief	£1M
Writing down allowances	18%	6%	Permanent relief	None

The Super-deduction (130%/50% tax relief in period of expenditure)

There is no limit on tax relief claimable, but these allowances do only apply to plant and machinery that is new and unused, and purchased between 1 April 2021 and 31 March 2023.

Annual investment allowance (AIA) (100% tax relief in period of expenditure)

Companies within a corporate group are only entitled to a single AIA of £1M across the group (not per company).

Full expensing (100%/50% tax relief in period of expenditure)

A claim for the full expense deduction would usually be made for qualifying expenditure over the £1m AIA limit, as the latter gives more generous tax relief, particularly for integral features.

Writing down allowances (18%/6% writing down allowances per annum)

Please note that these percentages are for a twelve-month period and would be pro-rated in the case of a short or long accounting period.

Structural Buildings Allowances (3% writing down allowances per annum)

If you build, buy, or lease a commercial structure and all construction contracts were signed on or after 29 October 2018, you may be able to claim some tax relief for these costs.

Although given at a less generous rate than reliefs for plant and machinery (either 2% or 3% writing down allowances depending on the timing of the expenditure), it can still be worth considering whether structural costs may qualify for SBAs. As a non-exhaustive list, costs of designing, constructing, repairing, converting, or fitting out qualifying structures would attract relief (costs of the land itself would not qualify).

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Specific examples

Solar panels

Capital expenditure on solar panels, which include photovoltaic varieties, which generate electricity, and solar thermal systems, which provide hot water, are generally treated as special rate expenditure on the basis that they are integral features of buildings or structures. In addition, they generally have an economic life of over 25 years, so would be treated as 'long life' assets and would be included in separate capital allowance pools (this would not impact them qualifying for 100% allowances under the AIA).

Mezzanine floors

Floors would generally be regarded by HMRC as being part of the 'setting' in which the trade takes place, rather than fulfilling a specific 'function' within that trade (which would be necessary for that expenditure to be considered plant). As such, flooring costs would generally not qualify for plant and machinery allowances. However, they may qualify for SBAs.

There would be some very specific exceptions to this general rule, such as:

- Plenum floors, which is a floor that forms part of the reticulation system of a heating or air conditioning system.
- Moveable temporary mezzanine levels, installed for a specific purpose such as storage (effectively becoming shelving units).

In these instances, a case could be made that the mezzanine could constitute plant.

Paint/spray booths

Spray coating booths and associated machinery would ordinarily be regarded as a piece of equipment, and therefore attract enhanced allowances as detailed above.

Where there are costs of modifying the building specifically to accommodate such plant (for example reinforcing the floors), such costs would also qualify as plant and attract tax relief at either 130% or 100% depending on the timing of the expenditure.

Notes

Plant and machinery

There is no statutory definition of 'plant and machinery' for tax purposes, but generally it would be any equipment that is used for carrying on the business, that does not qualify as stock, nor classed as being part of a structure.

Integral features

These are defined in legislation and are:

- lifts, escalators and moving walkways
- space and water heating systems
- air-conditioning and air-cooling systems
- hot and cold-water systems (but not toilet and kitchen facilities)
- electrical systems, including lighting systems
- external solar shading
- solar panels

It is also of note that the Super-deduction, AIA, or full expensing are not available in respect of costs of purchasing cars (although vans do qualify as commercial vehicles). Cars would usually qualify for writing down allowances at either 18% or 6% per annum, depending on their CO2 emissions.

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Capital Allowances

A capital allowances review is a detailed review of expenditure with the aim of claiming the optimal amount of capital allowances.

Examples of opportunities for conducting a capital allowances review include the following circumstances:

- You or your company are acquiring new premises. A substantial part of the purchase price may be apportioned to fixtures qualifying for tax relief, and/or the entitlement to allowances may need to be safeguarded by the inclusion of capital allowances clauses in the purchase contract.
- The company is relocating to new premises. There will be a risk of previous allowances being clawed back on the sale of the current premises unless proper planning is undertaken. In addition, there may be a substantial amount spent on fitting out the new premises and on the new plant and machinery.
- The shareholders of the company are considering selling the business or have been approached by a potential purchaser. A pre-sale health check should help streamline the due diligence process and may highlight opportunities to identify additional tax savings before sale, or to negotiate a higher sale price.

Potential benefits of a capital allowances review

Below is a list summarising the potential benefits of a capital allowances review:

- Reclassify expenditure as appropriate from capital to revenue (only generally possible in advance of accounts).
- Optimal allocation of annual investment allowance.
- Identify 'Integral Features' and other plant which may otherwise be treated as non-qualifying for capital allowances.
- Identify items qualifying for the structures and buildings allowance which may otherwise be treated as non-qualifying for capital allowances.
- Identify any items which may qualify for first year allowances or enhanced capital allowances.
- Identify where legal and professional fees, builder's preliminaries, installation costs etc may be treated as plant.
- Identify builders work in connection with the installation of plant (BWIC) and claim allowances at the relevant rate.

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Land Remediation Relief/ Contaminated Land Tax Relief

Land Remediation Relief is a relief from corporation tax. It provides a deduction of 100%, plus an additional deduction of 50%, for qualifying expenditure incurred by companies in cleaning up land acquired from a third party in a contaminated state.

Therefore, the total tax relief is 150% of the actual qualifying expenditure incurred in an accounting period.

What is the definition of 'contaminated'?

Land or buildings are in a 'contaminated state' if there is contamination present as a result of industrial activity such that:

- it is causing relevant harm; or
- there is a serious possibility that it could cause relevant harm; or
- it is causing, or there is a serious possibility that it could cause, significant pollution in the groundwater, streams, rivers or coastal waters.

Land Remediation Relief is also available for the removal of contamination arising from:

- naturally occurring arsenic and arsenical compounds;
- radon; and
- Japanese knotweed.

When can tax relief be claimed?

- The claim must be made within 2 years of the end of the accounting period the expenditure was incurred.
- The claim must be made in writing and within the company's tax return.
- The claim can be amended or withdrawn up to 12 months after the company's tax return was filed.

The cash rebate

Where a company is unable to claim the 150% deduction in the year of expenditure, perhaps because there are insufficient taxable profits, and it cannot surrender the loss as group/consortium relief, it can surrender the loss to HMRC in exchange for a tax-free cash payment of 16%. The loss surrenderable is the lower of 150% of the qualifying land remediation expenditure and the company's unrelieved tax loss for the year.

Op Co/Prop Co

Introductions

Often a company's trading premises is held separately from the trade - either personally, in partnership, or in a company which may or may not be a member of the group.

Quite often an operating company (Op Co)/property company (Prop Co) structure is beneficial, although there are a number of things to consider before putting such a structure in place.

Legal Ownership

Under English Law it is not possible to separate ownership of buildings from the land on which it stands. Similarly, ownership of fixtures and integral features physically attached to the building rests with the landowner.

- In the absence of a lease, OpCo has no rights over the land or buildings although where a lease exists, OpCo has a right to occupy and use the property.

Capital Expenditure

VAT Recovery

Often OpCo pays the cost of enhancing the land or buildings and believes it can reclaim the VAT.

OpCo can only reclaim the input VAT on the cost of capital improvements if there is an obligation to pay the sum under a lease, or it can recharge the costs to the landlord, with VAT thereon.

PropCos are usually not VAT-registered, and cannot therefore reclaim input VAT.

Capital Allowances

Where there is a formal lease giving OpCo an interest in the property, it can claim CAs for the cost of fixtures it installs for use in its trade. However, in the absence of a lease, CAs will not be available.

Capital Gains

On a sale of the premises, no deduction will be available to PropCo for capital expenditure incurred on improving the property if it did not itself incur those costs.

For OpCo, where a lease exists, improvement costs may be an enhancement to the lease asset, but the available cost for Capital Gains purposes will diminish over the life of the lease due to the wasting asset rules. In the absence of a lease OpCo has no asset, cannot make a capital disposal and is unable to claim a deduction for improvement costs, even on a wasting basis.

Shareholder Tax Position

If OpCo incurs capital expenditure to enhance a PropCo asset, value may pass out of OpCo and into PropCo, representing a constructive distribution by OpCo to its shareholders.

Where OpCo and PropCo are not within the same group, the individual shareholders would then be subject to Income Tax at dividend rates when the capital expenditure is incurred. Where the shareholders are also the directors of OpCo, HMRC may argue that an employment benefit has arisen on which income tax and NIC is due. Within a group structure, such a distribution to a corporate shareholder is likely to be exempt.

Where there is no lease and the property is occupied under licence, the distribution will be the full value of capital expenditure incurred. However, where OpCo occupies the property under a lease, the tenant has the right to occupy the property and therefore the value passing to the landlord will be the residue at the end of the lease, which may be small. And if the lease requires the property to be 'made good', no value will pass to the landlord on the basis that the OpCo will have to remove any such enhancements at the end of its lease.

Potential Problems- revenue expenditure

Under a tenant repairing lease, OpCo is responsible for repairs: the cost will be deductible for corporation tax, and the input VAT will be claimable.

Otherwise, for corporation tax purposes it may be possible to demonstrate that repair costs have been incurred wholly and exclusively for the purpose of OpCo's trade (and therefore deductible) but, if OpCo occupies the property under an informal licence or a landlord repairing lease, the lack of obligation to bear such costs means that associated Input VAT may not claimed by OpCo.

Inter-company debt

OpCo/PropCo arrangements often involve inter-company debts, either in respect of funding the property's acquisition/development or the recharging of rent and services.

Loan relationships

If OpCo and PropCo are connected, loans are carried at amortised cost for tax purposes (i.e. not fair value), and impairment of debt is ignored for tax purposes of both companies. But, where OpCo and PropCo are not connected, an impairment will result in a loan relationship debit and credit arising in the respective companies for corporation tax purposes, unless relief applies. 'Connected' for this purpose is separately defined as essentially companies under common control of a person (or persons acting together).

Shareholder Tax

The release of inter-company debt is likely to be a distribution (both legally and for tax purposes) where the companies have common shareholders. Where the common shareholders are corporates, for example within a group, the distribution should be exempt, but sufficient reserves will be required for the waiver to be lawful. However, where the common shareholders are individuals, they will be treated as receiving a taxable distribution equal to the value of the debt released, which is not necessarily the face value of the loan. If the individual shareholder also happens to be a director or employee, then conceivably, HMRC may consider the release to give rise to Class 1 NIC employee and employer liabilities.

Inheritance Tax

For Inheritance Tax purposes, Business Property Relief (BPR) may not necessarily be available in a two company group (i.e. with PropCo owning OpCo). HMRC may contend that the top company owning a property means it is not 'wholly' or 'mainly a holding company':

- BPR will be restricted if the value of the property is more than the value of the OpCo shares – to be 'mainly a holding company' more than 50% of PropCo's value must rest in its investment in OpCo shares.
- The fact the property is used in the trade is only a factor when considering if the wider group is trading after it has been determined that PropCo is a holding company.

It may therefore be preferable to have a three company group (i.e. with PropCo and OpCo as sister subsidiaries both owned by the same holding company), where the fact that the property is used in the group's trade will make it a trading asset.

BPR will not be available on shares in a PropCo held outside a group.

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Exit strategy

The sale of an OpCo subsidiary by a parent should qualify for Substantial Shareholdings Exemption (SSE). The sale of a PropCo subsidiary will usually not qualify for SSE. De-grouping charges may arise when a company leaves a group if there has been a prior transfer of assets to that company.

An acquirer may prefer to acquire the PropCo rather than the underlying property, as Stamp Duty on shares is normally less than SDLT on property. However, there may be an SDLT group relief clawback in the exiting company if it holds property transferred to it's intra-group within the previous three years.

Where OpCo and PropCo are within a group, sale or liquidation of the holding company may qualify for Business Asset Disposal Relief (BADR). However, where PropCo is owned outside a group, BADR will not be available on a disposal of its shares.

There would need to be a strong commercial reason for separating the ownership of OpCo and PropCo to be granted a positive HMRC clearance for a demerger; in particular, it will be necessary to explain why a subsidiary cannot simply be sold out of the group.

For certain businesses (e.g. restaurants, hotels and nursing homes) goodwill is likely to be considered inherent in the property rather than the trade. HMRC may challenge the allocation of proceeds between PropCo and OpCo.

Non-tax issues

- How to treat capital expenditure in the accounts can be complex and may be subject to new Financial Reporting Standards on leases.
- A company is prohibited in law from divesting itself of assets to the detriment of the creditors and shareholders. By effectively 'giving away' assets of OpCo, the directors may need to consider whether they could be in breach of their fiduciary duties.

Conclusion

OpCo/PropCo structures can provide significant benefits, but clients should have a proper understanding and appreciation of both the tax and non-tax issues before setting up such a structure and incurring capital or revenue expenditure on the property.

Non-resident owners should also review the tax aspects of existing arrangements following the FA 2019 changes to the capital gains tax rules.

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VAT

Although the basic concept of VAT is relatively simple, the legislation and regulations governing VAT are ever-changing, thus making it a complex area.

Value Added Tax (VAT) plays a significant role as the third largest source of government revenue, making it imperative for HM Revenue and Customs (HMRC) to ensure its accurate implementation. To achieve this, HMRC conducts routine reviews, ensuring compliance with VAT regulations. During the verification process for VAT repayment to taxpayers, HMRC may carry out enhanced checks to guarantee the legitimacy of claims.

In the Motor Industry

In the context of the Motor Industry, VAT regulations can be quite intricate, prompting HMRC to focus their attention on industry-specific aspects during routine reviews. To pre-empt any issues and ensure compliance, many businesses now adopt a proactive approach towards VAT compliance. This proactive stance is rooted in the desire to avoid potential discrepancies and rectify them before HMRC intervention becomes necessary.

This proactive attitude offers distinct advantages in terms of penalties. When a disclosure regarding VAT errors is made voluntarily, penalties tend to be more lenient compared to cases where HMRC identifies the errors and prompts the disclosure. By addressing potential issues before they escalate, businesses can safeguard themselves from possible penalties.

What we can do for you

Our services encompass a comprehensive range of VAT-related assistance. We can conduct VAT compliance health checks tailored for general purposes or delve into industry-specific matters and a business's compliance to them. Furthermore, our expertise extends to providing informative training sessions for finance teams, ensuring they are well-versed in key VAT issues.

Beyond general compliance, our advisory services extend to various other VAT-related domains. We can guide businesses through intricate areas such as restructuring VAT, group VAT registrations, property transactions (purchases/sales), international VAT considerations, and even disputes with HMRC. Our goal is to provide comprehensive support, enabling businesses to navigate the complex VAT landscape effectively and ensure their financial operations remain in line with regulatory requirements.

Get in touch

If you would like to know more about how we can help with your VAT queries and issues, get in touch with Michelle Dale, contact information on the last page.

Employee Car Ownership Scheme (ECOS)

Broadly, an Employee Car Ownership Scheme (also called an Employee Car Purchase Scheme and by various similar names) is a set of arrangements whereby employees acquire cars;

- from a specified, often single source; and
- within a specified financing framework.

An ECOS is something more organised than the employer simply ceasing to provide a company car and (normally) increasing taxable pay to compensate. In such cases, the employer leaves the employee to get a car from any reputable source, without becoming involved in the purchasing or financing arrangements in any way.

An ECOS may be designed and administered by the employer, by a company within the same group as the employer, or by a third party that specialises in provision of alternative packages to the company car.

In essence, an ECOS is designed to give employees similar benefits to a company car (for example a new car on a regular basis, central organisation of insurance and servicing) in a way that means the car benefit provisions do not apply.

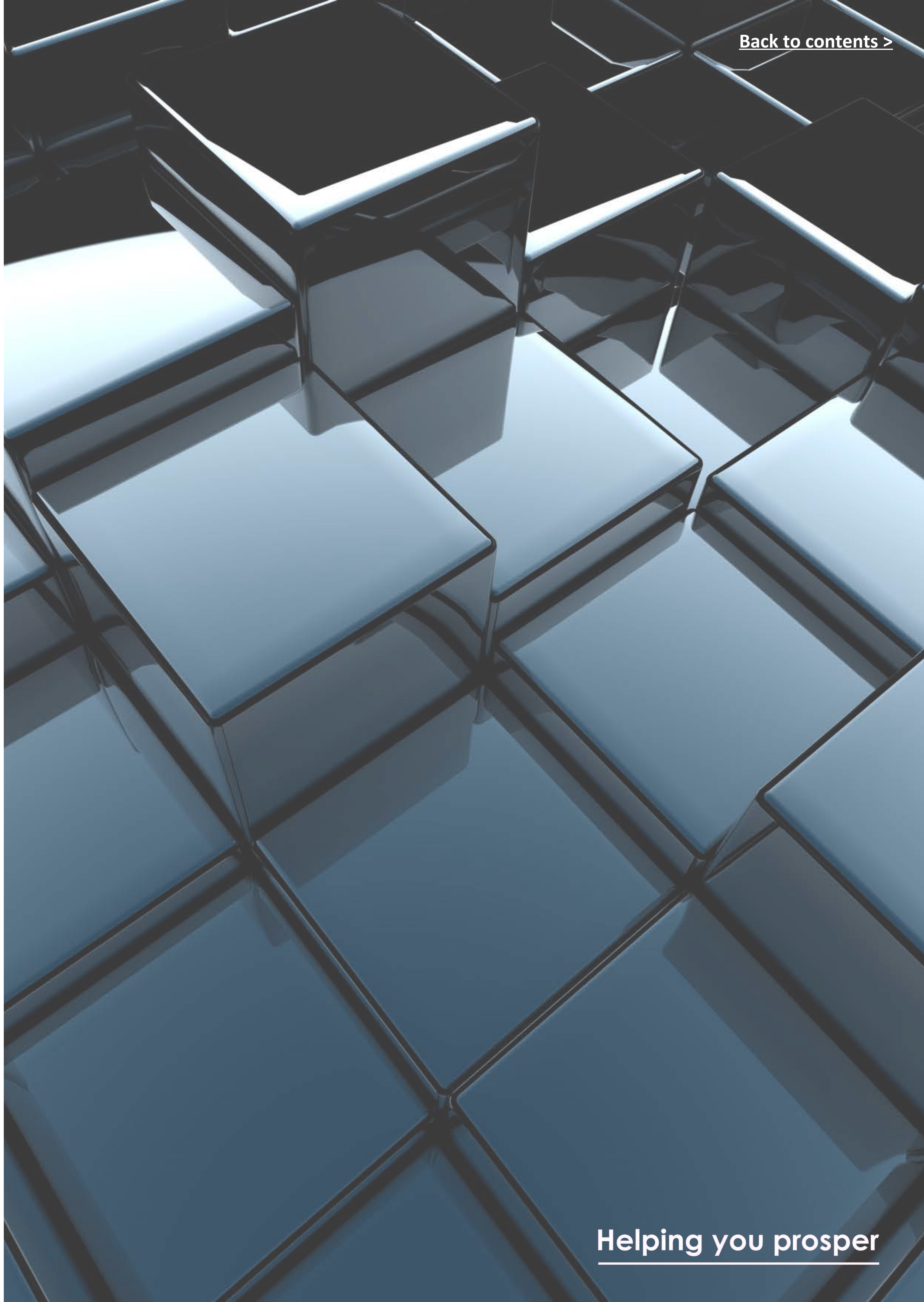
Structure of employee car ownership schemes

In order to avoid car benefit, one or more of the car benefit conditions must not apply. It is only possible to escape two of those conditions while still providing benefits akin to a company car, "by reason of the employment" and "without any transfer of the property in it".

The employer's involvement makes it impossible to escape the first of those, so these schemes rely on avoiding the second. To do so, ownership of the car in an ECOS is transferred to the employee at the outset.

Variations within ECOS

The phrases "Employee Car Ownership Scheme, ECO or ECOS, ECOPs, SECOPs or Employee Car Plan" are used to cover various different types of scheme.



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Get in touch

If you have any questions or for more information, get in touch with one of our experts.

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Clive is the lead tax partner in the Manchester office. His main work is in tax planning which includes group re-organisations, share schemes, international tax work, film tax relief, Enterprise Investment Scheme, property tax planning and creating structures like Limited Partnerships.

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Nick is a tax adviser with over 25 years of experience, specialising in company share schemes, group re-organisations, and research & development claims. He is a member of the Chartered Institute of Taxation and enjoys navigating the dynamic tax landscape.

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James is the corporate tax director in the Manchester office who focuses on advisory work. His skills are developing long-term relationships and communicating effectively with clients to provide tax planning, advice, and guidance.

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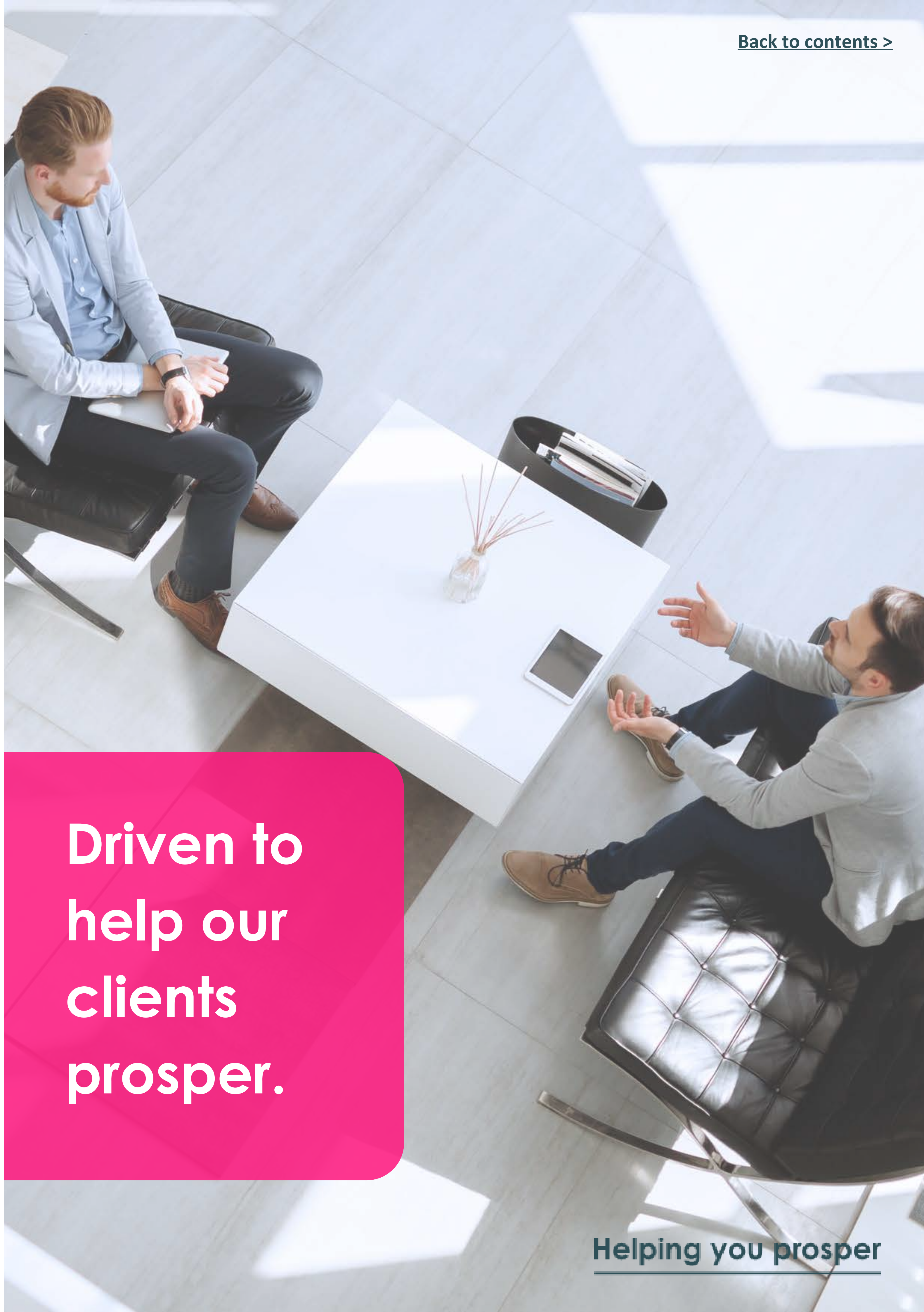
Michelle is the VAT Director in the Manchester office. Michelle joined UHY Hacker Young in 2004. In 2009 she became a member of the Institute of Indirect Taxation, which has now merged with the Chartered Institute of Taxation. She is also a member of the VAT practice group.



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