Benefit-in-Kind - Private use of Company Cars

Part 05-04-02

This document should be read in conjunction with section 121 of the Taxes Consolidation Act (TCA) 1997

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Introduction

This manual outlines the tax position where a company car is made available to a director or employee for his or her private use.

‘Making a car available to an employee’ means:

- the provision of the use of a car, and
- covering any car running costs (such as insurance and petrol) on behalf of the employee.

An employee may be obliged by the provider to cover the car running costs personally. Where this occurs, any Benefit-in-Kind (BIK) arising from having the car made available to him or her is reduced accordingly (See Chapter 4 for further information on how to calculate the BIK).

For the purposes of this manual, a company car refers to all cars provided to employees by reason of their employment.

If an employee has a car made available to him or her for private use, the treatment set out in this manual shall apply, regardless of whether the employee works for a company, a partnership or a sole trader.

This manual is only applicable where a car is provided to the employee and ownership of the car does not transfer to the employee. Where a car is:

- given to the employee by the employer, or
- sold by the employer at a discount to the employee

the guidance in this manual shall not apply and ordinary Schedule E rules shall apply instead.
1. **Charge to Benefit in Kind on Company Cars**

An employee is chargeable to tax on the benefit arising where, by reason of his or her employment, a car is made available (without a transfer of ownership) to him or her and the car is, in the tax year, available either for that individual’s private use or to his or her family or household.

A car made available to an employee by his or her employer (or a person connected with the employer) is regarded as being made available by reason of the employment.

A car made available to an employee is deemed to be available for private use unless the terms on which it is made available prohibit private use, and no such use is made of the car in the tax year.

Travel to and from work is private use.

Once a car is available to the employee for private use, it is irrelevant whether or not any private use is made of it.

The benefit-in-kind provisions apply both to directors and to other employees, irrespective of the level of emoluments from the office or employment.
2. Car Pool Treatment

A car which is included in a car pool for the use of employees of one or more employers is treated as not available for the private use of employees if, in the tax year, all of the following conditions are met:

a) The car was available to, and actually used by, more than one of the employees concerned;

b) In the case of each employee, the car was made available to him or her by reason of the employment;

c) The car was not ordinarily used by any one employee to the exclusion of the others;

d) In the case of each of the employees concerned, any private use of the car made by him or her was merely incidental to his or her business use; and

e) The car was not normally kept overnight at or in the vicinity of any of the employees’ homes.

However, where –

- it is scheduled and verifiable that an officer of the State (including an officer of a statutory body) is obliged to be ‘on call’ outside of his/her normal working hours to respond to situations giving rise to possible contravention of law and, for this purpose the officer-
  a) is provided with a car during scheduled and verifiable ‘on call’ periods outside of his or her normal working hours; and
  b) keeps the car overnight on or in the vicinity of his or her home; and

- the car would, but for the obligation in (a) above, then such a car may be deemed to be a car in a ‘car-pool’ for the purposes of the benefit-in-kind provisions.
3. Electric Cars

Finance Act 2017 introduced an exemption from benefit-in-kind provisions in relation to electric cars. An electric car is one that derives its motive power exclusively from an electric motor.

If an electric car is made available for an employee’s private use, no taxable benefit will arise in respect of that private use.

This exemption applies for the period 1 January 2018 to 31 December 2018 and applies to both new and used company cars.
4. Calculation of car benefit-in-kind

The calculation of the benefit-in-kind on the use of a car is summarised as follows:

Benefit-in-Kind on the use of a car is equal to:

- the cash equivalent of the benefit of the car, less
- any amounts made good to the employer by the employee in respect of the costs of providing or running the car.

The cash equivalent of the benefit of the car is equal to 30% of the original market value (OMV) of the car.

\[ \text{Benefit-in-kind} = (\text{OMV} \times 30\%) \text{ less amounts made good by the employee.} \]
5. Cash Equivalent

The cash equivalent of the benefit of a car is equal to the original market value (OMV) of the car x 30%.

5.1. Original Market Value (OMV)

The original market value of a car is the price which it might reasonably have been expected to fetch if sold in the State singly in a retail sale in the open market, immediately before the date of its first registration (in the State or elsewhere) i.e. the Irish open market price for a single retail sale immediately before the date on which the car was first registered.

Example 5.1

The original market value of a car first registered in the UK on 1 July 2016 and imported into Ireland on 1 November 2017 (and registered in Ireland in November 2017) would be the Irish open market price for a single retail sale immediately before 1 July 2016. Original market value includes vehicle registration tax (VRT) and all other applicable Irish taxes and duties.

In practice, the original market value is considered by reference to list prices. Where it is established that a discount was involved and such discount was normally obtainable in respect of a single retail sale in the open market, the list price may be reduced accordingly.

In cases where an exceptionally large discount was obtained (e.g. a quantity or fleet discount) or the discount cannot be determined (e.g. a car has been traded in against a new car) or the car involved was purchased second-hand, claims in respect of discounts must be limited to the discounts normally obtainable in respect of a single retail sale on the open market. Reductions for discounts do not usually exceed 10%.

Claims for reductions must be considered on a case-by-case basis and an automatic reduction (of any percentage) cannot be applied. For example, a discount would not normally be obtainable where the model of car is in scarce supply. The objective in each case is to determine the original market value.

5.2. Reduction for High Business Kilometres (Tapering Relief)

Where the business kilometres for a tax year exceed 24,000kms the cash equivalent of the benefit of the car is reduced by applying the scales shown at Appendix A.
**Example 5.2**

An employee has use of a company car during 2017. The original market value of the car was €28,000. The actual business kilometres in the year were 31,630 kilometres. The employee made good to the employer €1,000 in respect of the cost of providing or running the car.

As the employee drove 31,360 kilometres in the year, the cash equivalent is equal to the OMV x 24% (mileage between 24,000 and 32,000, see table in Appendix A).

The benefit-in-kind calculation is the cash equivalent of the benefit of the car less €1,000 (amount made good).

Cash Equivalent: €28,000 x 24% \(\quad\) €6,720

Less amount made good \(\quad\) (€1,000)

**Benefit-in-Kind** \(\quad\) €5,720

**5.3. Business Kilometres (in Absence of Particulars)**

In a case where a person fails to give particulars of business kilometres or private kilometres for the year, or where the particulars delivered are not satisfactory, the business kilometres may, in the absence of sufficient evidence to the contrary, be determined by deducting 8,000kms from the total number of kilometres travelled in the year.

**5.4. Car Available for Less than Full Year - Annualising Business Kilometres**

Where a car is available for only part of the tax year, the cash equivalent for that year is adjusted in the same proportion as that part of the year bears to the full year.

Cases where a car is made available to the employee for the first time during the tax year (e.g. on taking up employment) or a car is no longer available to the employee during the tax year (e.g. due to cessation of employment) are examples of when this apportionment can apply.

Where a car is available for only part of the tax year e.g. the car is made available to the employee on taking up of the employment during the tax year, the business kilometres may be “annualised” for the purpose of determining the percentage charge to be applied in the calculation of the cash equivalent of the benefit of the car.

The following formula may be applied to determine the annualised business kilometres:
\[
\frac{A \times B}{C}
\]

Where:
- \( A \) = Actual business kilometres
- \( B \) = Full Year (in days)
- \( C \) = Part of Year (in days) for which car is available

**Example 5.4**

A company car was made available to an employee for private use on 1 August. The original market value of the car was €18,000. The actual business kilometres in the year were 12,000 kilometres. The employee made good to the employer €750 in respect of the cost of providing or running the car.

As the car was made available for only part of the year i.e. for 153 days (from 1 August to 31 December inclusive) the cash equivalent is proportionally reduced to 153 / 365.

The actual business kilometres of 12,000 is annualised to determine what cash equivalent would have applied if the employee had maintained that level of business mileage for the full year. This is calculated as follows:

\[12,000 \text{ kilometres} \times \frac{365}{153} = 28,627\]

As annualised mileage is 28,627, the cash equivalent is equal to the OMV x 24% (mileage between 24,000 and 32,000, see table in Appendix A).

The benefit-in-kind calculation -

- The benefit-in-kind is equal to the cash equivalent of the benefit of the car less €750 (amounts made good).

- The cash equivalent of the benefit of the car is equal to the OMV of car x 24% x 153/365 (as the car was only in use for 5 months of the year)

which is:

\[€18,000 \times 24\% \times \frac{153}{365} = €1,811\]

**Benefit-in-Kind is:** €1,811 less €750 (amount made good) = €1,061
6. Reduction of Cash Equivalent by 20% in Certain Circumstances

If an employee does not qualify for tapering relief as outlined in chapter 6 and Appendix A, the cash equivalent may be reduced by 20% if all the following conditions are met:

- The employee works an average of 20 hours per week;
- The employee travels at least 8,000 kilometres per annum on employers business; and
- The employee spends at least 70% of his or her working time away from employers premises

The employee must retain a log book detailing business kilometres, business transacted, business time travelled and date of journey. This log should then be certified by the employer as being correct.

Although this relief may be claimed instead of tapering relief, it would not be more beneficial where the cash equivalent is less than OMV x 24% under tapering relief, as the 20% discount can only reduce the cash equivalent to OMV x 24%.

Example 6.1
A company car was made available to an employee on 1 January. The original market value of the car was €18,000. All running costs were met by the employer. The employee worked full-time for the firm and travelled 9,000 kilometres on company business. The employee spent more than 70% of working time away from employer’s premises.

Benefit-in-kind calculation

\[
\begin{align*}
\text{€18,000} & \times 30\% \quad \text{€5,400} \\
\text{Less reduction of 20\%} & \quad (\text{€1,080}) \\
\text{Benefit-in-kind} & \quad \text{€4,320}
\end{align*}
\]
7. Overseas Duties and Benefit-in-Kind

A car provided to a director or an employee will not be regarded as available for private use for that part of the year in which the director or employee is outside the State for the purpose of performing the duties of the office or employment provided the following conditions are met:

- The aggregate number of days spent outside the State for the purpose of performing the duties of the office or employment is at least 30 complete days in the tax year (any holiday period abroad is excluded). A day for this purpose must include an overnight stay;
- The director/employee travels abroad without the car; and
- The car is not available for use by the director or employee’s family or household during the director or employee’s period of absence outside the State.
8. Chauffeur Driven Cars
In the case of chauffeur driven cars two separate charges arise:

1. a benefit-in-kind charge in respect of the provision of the car, and
2. a benefit-in-kind charge in respect of the expenses incurred by the employer in the provision of the chauffeur.

The total expense incurred by the employer in the provision of the chauffeur (e.g. chauffeur’s salary) is chargeable less any amount made good by the employee.
9. Employees in the Motor Industry
Employees in the motor industry generally have the use of several different cars, both new and old, during the course of a tax year. In the case of such employees, an alternative arrangement has been put in place to deal with the issue of frequent changes of company cars.

In such cases, the calculation of the benefit in kind is calculated using agreed average Original Market Values (OMV) of the vehicles used rather than actual OMV.

‘Frequent changes’ means changes at periods of less than 1 month.

9.1. Affected Employees and Employers
This arrangement applies to the following employees:

- employees in the retail motor trade;
- employees in the short-term car hire trade; or
- other employees in the motor trade

who are employed by one of the following categories of employer:

- motor retailers who are engaged in selling used cars only;
- franchised motor retailers who are engaged in selling both new and used cars;
- short-term car hire providers; or
- motor distributors and car leasing

The arrangement does not apply to employees who have exclusive use of specific cars for predictable periods in excess of on month. Where this occurs, the tax due by the employee should be calculated by reference to actual OMV.

9.2. Determination of Agreed Average OMV
The agreed average OMV car value to be used when calculating the benefit-in-kind of the use of the company car is determined by reference to:

- the highest value of the cars that the employee normally drives, and
- the section of the motor industry with whom the individual is employed.

There are 8 average OMV Bands which are listed in Appendix B.

The occasional use of a car in a higher or lower bracket will not affect the figure for average OMV.
9.3. **Right to Opt for Actual OMV**

An employee may at any time exercise their statutory right to have their benefit-in-kind calculated on the basis of the actual OMV of the cars made available to them during the course of the year.

Where the employee exercises this right, the employer will have to carry out the necessary calculations and retain relevant evidence of the cars made available during the course of the year.

9.4. **Records to be Kept**

It is important that records are kept in respect of company cars used by the employee and that the correct OMV Band is used for each employee’s benefit-in-kind calculation.

Employers are obliged to keep records in respect of:

- the company cars driven by all employee’s including directors,
- the value of the cars driven and the OMV Band used in the BIK calculation, and
- the Benefit-in-Kind computation in respect of each employee.

9.5. **Non-Application of Arrangement**

If during the course of an audit, it comes to light that the employer has not complied with his or her statutory obligation to operate PAYE, PRSI and USC in respect of any benefit-in-kind arising to employees from the availability of the private use of company cars, then the arrangement outlined in this chapter **will not be available.**
Appendix A: Business Mileage Tables

Applicable with Effect from 1 January 2014

<table>
<thead>
<tr>
<th>Kilometres</th>
<th>Kilometres</th>
<th>Percentage of Original Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>24,000</td>
<td>30</td>
</tr>
<tr>
<td>24,000</td>
<td>32,000</td>
<td>24</td>
</tr>
<tr>
<td>32,000</td>
<td>40,000</td>
<td>18</td>
</tr>
<tr>
<td>40,000</td>
<td>48,000</td>
<td>12</td>
</tr>
<tr>
<td>48,000 and over</td>
<td>-</td>
<td>6</td>
</tr>
</tbody>
</table>

Applicable Up To and Including 2013

<table>
<thead>
<tr>
<th>Miles</th>
<th>Miles</th>
<th>Percentage of Original Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>15,000</td>
<td>30</td>
</tr>
<tr>
<td>15,000</td>
<td>20,000</td>
<td>24</td>
</tr>
<tr>
<td>20,000</td>
<td>25,000</td>
<td>18</td>
</tr>
<tr>
<td>25,000</td>
<td>30,000</td>
<td>12</td>
</tr>
<tr>
<td>30,000 and over</td>
<td>-</td>
<td>6</td>
</tr>
</tbody>
</table>
Appendix B: Average OMV Bands for Employees in the Motor Industry

Band 1: Average OMV Not Exceeding €30,000
Employees who normally have the use of cars with an original market value not exceeding €30,000

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€15,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€18,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€22,000</td>
</tr>
</tbody>
</table>

Band 2: Average OMV Greater than €30,000, but Not Exceeding €35,000
Employees who normally have the use of cars with an original market value which is greater than €30,000, but does not exceed €35,000

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€18,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€21,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€25,000</td>
</tr>
</tbody>
</table>

Band 3: Average OMV Greater than €35,000, but Not Exceeding €40,000
Employees who normally have the use of cars with an original market value which is greater than €35,000, but does not exceed €40,000

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€21,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€24,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€30,000</td>
</tr>
</tbody>
</table>
**Band 4: Average OMV Greater than €40,000, but Not Exceeding €45,000**

*Employees who normally have the use of cars with an original market value which is greater than €40,000, but does not exceed €45,000*

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€24,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€27,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€34,000</td>
</tr>
</tbody>
</table>

**Band 5: Average OMV Greater than €45,000, but Not Exceeding €50,000**

*Employees who normally have the use of cars with an original market value which is greater than €45,000, but does not exceed €50,000*

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€27,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€30,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€38,000</td>
</tr>
</tbody>
</table>

**Band 6: Average OMV Greater than €50,000, but Not Exceeding €55,000**

*Employees who normally have the use of cars with an original market value which is greater than €50,000, but does not exceed €55,000*

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€30,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€33,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€42,000</td>
</tr>
</tbody>
</table>

**Band 7: Average OMV Greater than €55,000, but Not Exceeding €60,000**

*Employees who normally have the use of cars with an original market value which is greater than €55,000, but does not exceed €60,000*

<table>
<thead>
<tr>
<th>Section of Motor Industry</th>
<th>Average OMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Retailers engaged in selling used cars only and short-term car hire providers</td>
<td>€33,000</td>
</tr>
<tr>
<td>Franchised motor retailers who are engaged in selling new and used cars</td>
<td>€36,000</td>
</tr>
<tr>
<td>Motor distributors and leasing businesses</td>
<td>€44,000</td>
</tr>
</tbody>
</table>
Band 8: Average OMV Exceeding €60,000

*Employees who normally have the use of cars with an original market value exceeding €60,000*

Where the OMV(s) of the car(s) used by the employee normally *exceeds* €60,000, the figure to be taken should be:

- the appropriate figure in the Band 7 category,
- plus
- 75% of the difference between the OMV and €60,000.

For example, if an employee of a franchised garage normally uses a car with an OMV of €80,000, the average OMV should be €51,000 i.e. €36,000 + (75% of €20,000).