

# PricewaterhouseCoopers Snapshot Survey - Company Cars 2008

The PricewaterhouseCoopers Snapshot Survey - Company Cars 2008, will be of interest to those who are keen to explore the latest trends in relation to car benefits. This, the third biennial company car survey, will be of particular interest to those with responsibility for the provision of car benefits within their organisation, who may be looking to control the cost of benefit provision while continuing to deliver 'perks' that motivate employees, and ensure that those who require cars to do their job are not inconvenienced by any modifications to existing schemes. Outlined below are some details around the items that the survey will explore.

## Impact of the Finance Bill 2008

Cars in general are once again a 'hot topic', with the recent changes to Vehicle Registration Tax (VRT) from 1st July 2008. The VRT rate and motor tax rate are now determined by the level of CO2 emissions rather than the engine size. The examples below illustrate the possible impact of the changes for organisations providing Company Cars to their employees.

### Impact of VRT & Motor Tax Changes from 1st July 2008 – Illustrative Examples

#### Assumptions:

- Car is allocated to the employee on the basis of a 'perk' benefit, rather than on the basis of business need;
- The employee drives less than 5,000 business miles per year;
- The employee is in the 41% tax bracket and earning over the PRSI ceiling, but below €100,000.

	AUDI A6 2.4 V6 177BHP 6-SP	BMW 320D ES
Engine CC	2393 (petrol)	1995 (diesel)
CO <sub>2</sub> g/km	233g/km	128 g/km
New VRT Band from 1st July 2008	G	B

	Old System	New System	Additional costs(+) /savings (-)	Old System	New System	Additional costs(+) /savings (-)
VRT %age	30%	36%	+6%	30%	16%	-14%
*Market list price of car	€52,940	€54,570	+ €1,630	€47,800	€40,935	- €6,865
Road Tax	€861	€2,000	+ €1,139	€590	€150	- €440
Employee PAYE/PRSI Cost per annum	€6,829	€7,040	+ €211	€6,166	€5,281	- €885
Employer PRSI Cost per annum	€1,707	€1,760	+ €53	€1,542	€1,320	- €222

*\*Note - the market list price of the car was informed by the SIMI Recommended Passenger Vehicles Price List – for the 'Old system' we used the February 2008 Recommended Passenger Vehicles Price List and for the 'New System' we used the July 2008 Recommended Passenger Vehicles Price List. Benefit-in-kind has been calculated based on list price before cash discount for illustration purposes only.*

In our 2008 survey, we will examine if organisations are planning to implement (or have already implemented) any changes to their policies in light of the recent taxation changes.

## Attractiveness of Company Cars as an employee benefit

Company Cars have become less financially attractive to both employers and employees over the last 4 years due to a combination of factors, including:

- The imposition of PAYE and PRSI on employee benefits (including Company Cars) from 1st January 2004;
- The increased administrative demands of processing the BIK on Company Cars through payroll;
- The increased employer cost of PRSI on the notional value of Company Cars;
- The increasing pressure on HR departments to seek out cost savings;
- Employee demands for increased flexibility;
- Increasing oil prices leading to increased fuel prices;
- Recent changes to VRT and motor tax announced in the Budget 2008.

In the 2006 PricewaterhouseCoopers Company Cars Snapshot Survey, 40% of respondents indicated that they planned to change their Company Car policies; it will be interesting to learn what changes have been made to policies over the last 2 years.

## 'Carbon Footprint'

Under the Kyoto protocol, Ireland has committed to reducing its emissions of carbon dioxide by the year 2012. This commitment places a personal burden on every individual and a corporate and social responsibility on organisations to play their part and reduce their 'carbon footprint'. According to the Department of Transport, road transport accounts for 93% of CO2 emissions currently, so it is clear that this is one area where we can start to make a difference. According to scientific studies, Ireland could cut its CO2 emissions by 3% if an extra 13% of new cars bought were powered by diesel instead of petrol. Is there an implicit onus on organisations to encourage employees to choose more carbon friendly car models? Again this is an area we will be exploring in the survey.

## Business Mileage

Following the introduction of PAYE/ PRSI on employee benefits in 2004, there has been a notable increase in requests for business mileage logbooks and service records from Revenue. We will be exploring how organisations are recording and tracking business mileage in order to ensure full compliance with their obligations as employers.

## Company Car/Car Allowance Policies

In response to feedback, this year we will be extending the scope of our Company Cars snapshot survey to look at organisational policies on the following:

- Smoking in Company Cars
- Part-time/job-share and Company Cars/Allowances,
- Maternity leave and Company Cars/Allowances,
- Use of Company Cars overseas,
- Responsibility for upkeep of Company Cars – cleaning, washing etc.,
- Availability of Company Cars to other employees,
- Family members' use of Company Cars:
  - Who is eligible to use the Company Car?
  - From what age are they allowed use it?

Should you wish to participate in the  
**PricewaterhouseCoopers' Company Cars Snapshot Survey, 2008,**  
please complete your details below, and fax this form to:  
Siobhán O'Brien, Reward Advisory, PricewaterhouseCoopers, One Spencer Dock, Dublin 1.  
Fax: +353 1 792 6200

I wish to participate in this survey for EUR 495 plus VAT (if applicable)

I do not wish to participate in this survey but would like to order a copy of the report for EUR 995 plus VAT (if applicable).

Name & Title: .....

Company Name: .....

Company Address: .....

Contact Telephone Number: .....

E-mail Address: .....

VAT Exemption Number (if applicable): .....

**Please note if you plan to purchase this survey and you are an audit client of PwC there are auditor independence procedures that must be completed by PwC before we can confirm your order. Should you require pre-approval from your Audit Committee for any non-audit services provided by PwC you will need to seek pre-approval from your Audit Committee for this service.**