

Company Car vs Cash Allowance?

Over the last ten years the range of benefits offered to employees has grown. Nonetheless a "company car" in some form remains a popular business benefit and is central to many overall packages.

"Increasing driver flexibility" is often quoted as a reason for companies looking at alternatives to the provision of a company car, with cash allowances perceived as giving the employee the ultimate freedom.

The table that follows outlines the key considerations for the driver when comparing company car and cash allowances.

The attractiveness of a cash allowance scheme to drivers will depend on their individual circumstances. Whilst the financial benefit is key, research shows that many drivers place a greater value on a company car than its cash equivalent, largely because they don't want the administration, hassle and risk of ownership.

Consideration	Company Car	Cash
<i>Financial</i>	<ul style="list-style-type: none"> You pay Benefit In Kind on the company vehicle based on the value of the vehicle, CO₂ emission level and tax rate You know what the monthly costs will be and so can budget accordingly 	<ul style="list-style-type: none"> You are free to spend the cash allowance in any way – not necessarily on a vehicle You do not pay BIK on the company vehicle, but are taxed on the gross cash allowance You need to take into consideration your circumstances e.g. cash allowance value, mileage and tax rate, some drivers "win" and some "lose" Driver is responsible for their own purchase finance and running costs
<i>Ownership</i>	<ul style="list-style-type: none"> Vehicle chosen from list and is not owned by you, if you leave the company you will leave the car. Acquisition and disposal the responsibility of the company 	<ul style="list-style-type: none"> You may own the car or be responsible for paying a finance agreement You are responsible for buying and selling your own car
<i>Insurance</i>	<ul style="list-style-type: none"> Insurance is paid for and dealt with by the company Accidents and other claims managed by the company, including provision of an alternative vehicle 	<ul style="list-style-type: none"> You are responsible for Insurance cover that includes business travel (if you are planning on using your car for business) Insurance now becomes a factor in vehicle choice as your circumstances will influence the cost considerably due to age, driving record and home location All accidents and claims need to be dealt with by you You may incur replacement vehicle costs
<i>Maintenance</i>	<ul style="list-style-type: none"> Peace of mind – Maintenance, MOT, breakdown, tyre, glass and road taxes paid for and dealt with by the company or its fleet management service provider Service benefits such as online booking, collection and delivery, wash and vacuum, courtesy vehicle provided 	<ul style="list-style-type: none"> You are liable for all maintenance costs, and unpredictable costs associated with this. Service levels in garages are not monitored You need to arrange for maintenance and MOT work to be carried out You need to purchase breakdown cover You may incur replacement vehicle costs and inconvenience

Consideration	Company Car	Cash
<i>Fuel and Reimbursement Policy</i>	<ul style="list-style-type: none"> • All costs sit with the company apart from fuel • Business mileage needs to be logged and claimed for, receipts need to be kept • If using a fuel card you need to keep mileage records in order to split private and business fuel usage • The company may pay all fuel consumption including drivers' private mileage 	<ul style="list-style-type: none"> • Reimbursement need to cover depreciation, maintenance and insurance costs in addition to fuel • Some companies may choose to cover fuel on an actual cost basis via fuel cards • You need to ensure reimbursement rates cover incurred costs – however this is very difficult to assess • If companies are paying you a higher or lower reimbursement, rate than the AMAP'S rate, you may be entitled to tax relief or may incur a tax liability. You may have to wait until the end of the tax year to reconcile this tax position
<i>Duty of Care</i>	<ul style="list-style-type: none"> • Fleet department and/or leasing company likely to ensure good risk management practices in place to protect and improve driving 	<ul style="list-style-type: none"> • Less focus on maintenance and road worthiness of vehicle • less focus on risk management and ensuring safer driving practices • You may be asked to use company vehicle when travelling on business
<i>Environment</i>	<ul style="list-style-type: none"> • Some companies may offer incentives for cleaner vehicle choice • Access to alternative fuel vehicles such as hybrid or biofuel models may be easier and carries no residual value risk to you 	<ul style="list-style-type: none"> • You may choose not to take a vehicle and use the cash to fund other travel method e.g. season tickets for public transport • You are free to choose any vehicle and so may not consider environmental performance a key criteria. You may find environmental performance is compromised due to cost and other practical considerations
<i>Vehicle Choice</i>	<ul style="list-style-type: none"> • You are guaranteed a brand new vehicle in line with replacement policy e.g. every 3 years • Choice is restricted to vehicles on the company car list – this may be open for you to choose, but is more likely to be restricted to maximise vehicle buying discounts • Discounts also represent a positive – they enable a better vehicle and/or spec to be selected • Trade up/ down enables further flexibility if offered • Extras policy may limit the options that can be selected 	<ul style="list-style-type: none"> • Theoretically you have a free choice of any vehicle and any optional extras • You have the flexibility to change vehicle at any time (although this will have cost implications)