

Press Release



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CBS highlight ECO excess mileage issues

With the number of companies embracing the transition from traditional company cars to Employee Car Ownership (ECO) on the increase, Neil Davies, Technical Director at Car Benefit Solutions (CBS), calls for caution on the tax treatment of end-of-contact charges from major fleet providers.

The principle of excess mileage charges is to compensate the party taking risk for the combination of incremental depreciation and maintenance expense for vehicles that over-travel compared with their contracted mileage.

With traditional leasing products, corporate employers have been able to mitigate some of these potential charges by negotiating a ‘mileage pooling’ arrangement with their chosen provider. This treatment effectively looks to contra over and under travelling vehicles in any given trading period and can be a useful arrangement if nasty surprises are to be avoided.

“Several players in the structured Employee Car Ownership (ECO) market have declared the ability to replicate the company car treatment of mileage pooling in this arena. In our opinion this is fundamentally flawed as the excess mileage charges relate to the individual finance agreements and are not the liability of the employing company. As such it is not possible to mitigate a charge against one employee on the basis of a colleague who has travelled less than contract mileage as a benefit will still accrue on the behalf of the first employee, each individual being assessed separately”, claims Davies.

Although, for the above reasons, it is not possible to replicate traditional company car mileage pooling arrangements, CBS has developed a tax efficient methodology for the employing company to ultimately receive the benefit of employees travelling less than the contract mileage, which provides employers with the same financial advantage of mileage pooling.



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