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# Press Release

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## Car Plan Reduces Tax Burden

By Peter White

A company car scheme offered by Siemens has reduced the tax burden for employees while also increasing flexibility. The tax structure for the Siemens Car Benefit Scheme has been designed by Car Benefit Solutions (CBS) to lessen tax and National Insurance on early termination and excess mileage charges. It can now replicate the mileage pooling of a contract hire agreement for an employee car ownership scheme.

Neil Davies, technical director at CBS, said: "The scheme is more cost efficient due to the tax structures that have been introduced. In addition the admin burden on the payroll function has been substantially reduced." However, Alastair Kendrick, director at Ernst & Young, warned employers to carefully consider the tax implications of mitigating early termination charges. "We've been involved in a number of these types of arrangements but we're aware that a number have got them wrong. It's important if a company's going to do it they've got to get the structure right and they have to make sure either the Revenue or Customs & Excise are fully aware of what is being done so that there is no fear of Revenue attack at some later point," he said. To boost flexibility the electronics giant has also given its 24 business units a choice of car schemes to run; either as traditional leasing schemes, cash alternative packages or employee car ownership plans.

Ben Debnath, corporate personnel manager at Siemens, said that one size fits all schemes don't work for everybody and theirs was a practical solution to the car ownership issues it had with its 5,000 car drivers. Debnath said that a bigger proportion of employees were now eligible to participate in a car ownership scheme and that they would be safeguarded from fluctuations in taxation changes. Siemens expects to save "significant" costs with the new scheme, but Debnath added: "Cost savings are always going to be a key motivator but it's not just a cost issue. It's ensuring the quality of provision is there; ensuring the benefit to the employees is maintained or enhanced." The scheme was launched in November, with all business units expected to have rolled out new car policies by May 2004. Lex Vehicle Leasing is to be the sole supplier of vehicles to Siemens.

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