

Press Release



www.carbenefitsolutions.co.uk
mail@carbenefitsolutions.co.uk

'ECO administration can be less onerous than company cars.' claim CBS

As a result of increasing driver awareness of creeping tax liabilities under the emissions-based assessment programme, interest from fleet decision makers into tax efficient alternatives has recently been escalating. Gerry O'Neill, Commercial Director at Car Benefit Solutions (CBS) explains why the historic stigmatism associated with the administration of such arrangements can be misplaced.

O'Neill states "The financial impact in terms of potential savings for employers through embracing the Employee Car Ownership (ECO) benefit methodology has been the subject matter of many articles in the past. Behind these headline numbers reside some fundamental considerations for any organisation considering this change. The associated administration is a focal point for many when identifying resource, particularly in today's difficult economic climate."

In recognition of the fact that most organisations desire to minimise their involvement with operating such schemes, CBS has developed a number of enhancements to the architecture of ECO schemes that will assist employers achieve their desired objectives. These features include the following efficiencies:

Business Mileage Collection

An essential component of ECO efficiencies relate to the timely collection and reporting of business mileage information for Approved Mileage Allowance Payments (AMAP) reconciliation purposes. With the recent changes to these amounts both in terms of their quantum (now 40ppm for the first 10,000 miles and 25ppm thereafter including fuel), and the move to statutory treatment, CBS have developed methods of collecting business mileage information which significantly reduces administration including the use of email, the internet and SMS text messaging.

"The impact of the statutory nature of AMAP is not to be undercalled." comments O'Neill. "Many organisations who historically enjoyed a dispensation enabling them to conduct their business mileage reconciliation exercise on an annual basis are now seeing this convenience removed by the Inland Revenue. The prospect of conducting this exercise on a monthly basis as an alternative is clearly unattractive."

Payment Methods

With traditional ECO offerings, the company car is normally substituted with an unconsolidated cash allowance normally delivered via payroll. Coupled with the employees saving from the release of the company car tax liability, this budget effectively enables the employee to afford typical repayments for their entitlement levels by contracting with a vehicle provider. Again, repayments on the selected car are typically collected from the employers' payroll run and remitted to the supplier.

t 0870 751 9872

f 0870 751 9873

Europa House
Barcroft Street
Bury
Greater Manchester
BL9 5BT

Press Release



www.carbenefitsolutions.co.uk
mail@carbenefitsolutions.co.uk

CBS have developed arrangements to reduce the number of payroll transactions to an absolute minimum. Key to facilitating this is the introduction of employee contributions by Direct Debit and tax efficient business-to-business settlement of vehicle related transactions through an enhanced loan structure, a facility that CBS has designed, developed and implemented for a number of major schemes recently.

Flexible Loans

CBS have recently developed loan structures that incorporate the whole car benefit package including maintenance, breakdown recovery, early termination and excess mileage cover and even the provision of cash allowances to those employees making their own arrangements. This further reduces the number of documents required to operate this type of structured scheme.

O'Neill explains: "Credit Sale Agreements, the traditionally robust funding mechanism to navigate s157 of the ICTA (1988) regarding passage of title are, by definition, rigid finance agreements under the Consumer Credit Act (1974) guidelines. A number of our clients have requested greater flexibility in this arena with the objective of replicating lease arrangements. This is technically feasible but requires an overhaul of the current structure."

Contract Extensions

An additional historic frustration with ECO operation arises at the end of the Credit Sale Agreement term when the replacement vehicle may not be available for delivery. Normally, this required the existing car to be refinanced for a further period if P11D implications were to be avoided. Through the introduction of the aforementioned loan structure, CBS have addressed this issue by accommodating term extension on an informal basis if required. The removal of the necessity to issue fresh documents further reduces the employers administration.

"CBS is an organisation singularly focused on the long-term viability of structured car schemes. We recognise that the appeal of these arrangements can only be maximised where the change process is perceived as unilaterally beneficial to an organisation. In our opinion, it would be misleading for a provider to implement an ECO scheme solely on its potential to reduce costs without drawing attention to the required resource.

The objective of these latest design features is simple. We recognise that few organisations are receptive to increased workloads and therefore look to address the issue from the outset to avoid disappointment downstream." concludes O'Neill.



t 0870 751 9872
f 0870 751 9873

Europa House
Barcroft Street
Bury
Greater Manchester
BL9 5BT

Press Release



www.carbenefitsolutions.co.uk
mail@carbenefitsolutions.co.uk

For further information contact Car Benefit Solutions media contact Sinéad Sopala on 0161 447 8998, ssopala@carbenefitsolutions.co.uk.

t 0 8 7 0 7 5 1 9 8 7 2
f 0 8 7 0 7 5 1 9 8 7 3

E u r o p a H o u s e
B a r c r o f t S t r e e t
B u r y
G r e a t e r M a n c h e s t e r
B L 9 5 B T