



## News Release

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### **Motor manufacturers face production dilemma as Government sets out measures to tackle high emission vehicles**

Motor manufacturers face the prospect of a range of cars no longer having a market in the mainstream company car arena following measures laid out in yesterday's Budget. A number of environmental measures will impact directly on company car fleets and may result in fleet managers choosing to limit the number of vehicles in their fleet with emissions above the important 160g/km threshold.

Alison Chapman, head of automotive tax at Deloitte, said:  
"Companies have until now not paid great attention to their fleet's CO2 emissions believing that any cost impact would only affect the driver. Companies will now need to bring tax into their calculations of the whole life cost of their fleet."

"Tax relief for company cars will depend on the level of CO2 emissions. 160g/km and 110g/km will become key benchmarks. At the moment 160g/km is the one that will have an impact. There will be a big difference to the cost to the company of a car with emissions of 161g/km compared to one with 160g/km, all other things being equal."

"Furthermore, the Vehicle Excise Duty (VED) changes are interesting. The first year rate of £950 for vehicles above 255g/km from 2010 is, in itself, still not high enough to influence the purchaser of a new expensive car although it might well affect the purchaser of a cheaper vehicle that will be caught by the change. However, the real impact is in the second and third hand markets where consumers may be unwilling to pay the standard rate of £455 per year for these cars. As a result the second and third hand resale values may fall dramatically. Multiply this across an entire company fleet and tens of thousands of pounds could be wiped from the re-sale values.

"Although it will take time for companies to realise the effect, questions will now be asked about the whole life tax cost of high emission vehicles. I expect a range of cars will no longer have a market within the mainstream company car arena. Automotive manufacturers will need to consider the implications of these measures very carefully and take necessary steps to adapt to a new reality in the company fleet market."

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