

What influences the cost of my lease car quotation?

The final monthly cost of a lease car quotation is made up of several factors. Please see below more information as to how you can influence this cost with your choice of vehicle.

Lease Company charge influences:

Mileage:

The quotations we receive from leasing companies are for an agreed amount of mileage over the 3 year contract. If this amount of mileage is exceeded at the end of the lease (or prorated for an early termination) there will be an excess pence per mile to pay which is detailed on your quotation. The pence per mile charge is dependent on cc of the vehicle, with vehicle over 1600cc costing more than those below.

The difference of increasing total mileage by 1,000 per annum will not make a material difference to the cost however if you increase your mileage considerably you can expect to see a significant increase in the monthly cost.

Cost of purchasing the vehicle:

Leasing companies levy a finance rate within their lease car charge which relates to the cost of purchasing the vehicle. It therefore follows this charge within their quotation will be lower for a less expensive vehicle.

Residual Value:

Leasing companies will factor in how much the value of the chosen vehicle will reduce over the term of the contract. It therefore follows that this charge within their quotation will be lower for a vehicle which is likely to hold its value better. As a result you may find that the relative difference in cost between leasing a premium versus a standard brand vehicle is much less than if the same vehicles were purchased retail. Currently residual values for diesel engines are not performing well when compared to petrol and hybrid variants.

Optional Extras:

Options such as metallic paint are unlikely to increase the cost of a lease quotation as the increased purchase cost is balanced out by the increase in residual value however the more extras you add and more bespoke you make the vehicle the more you will increase the cost of the purchase without necessarily increasing the residual value to the same extent. Additionally you may find that choosing the next standard specification will cost either less or the same than adding optional extras to the basic model and can result in you getting some other extras thrown in. You should also however think about how this will affect the benefit in kind calculation (see Government Influences and below HMRC link for further information).

<https://www.gov.uk/tax-company-benefits/tax-on-company-cars>

Trust influences:

Trust Contribution:

In August 2018 the Trust launched their new lease car scheme.

Previously the Trust made an upfront contribution to the cost of the vehicle, this contribution was based on how many business miles you estimated you would travel and claim in your chosen vehicle (therefore reducing your monthly contribution). In addition, you were also able to expense business miles at the HMRC rate based on the CC and fuel type of your vehicle (averaging around 9p per mile).

Under the new scheme, you are no longer required to estimate your business mileage and the Trust does not make an upfront contribution towards the cost of your lease (resulting in a higher monthly contribution). However, the new scheme allows you to expense your business miles at a much higher rate (63p for the first 3500 miles per annum and 20p thereafter), the increased value of this expense claim is designed to offset the increase in monthly contribution.

The Trust fleet insurance premium:

All lease vehicles are covered by the Trust fleet insurance policy. The trust go to market annually to obtain the best premium based on the trust accident and claims history and reserve the right to amend this element of your monthly charge should the premium change significantly.

Government Influences (out of the Trust control):

VAT:

You will pay VAT on the lease car costs which are subject to VAT. The Trust reserve the right to amend this portion of the charge should the government choose to increase VAT rates.

IPT:

Is a tax levied by the government on insurance. This % charge has increased significantly over the last few years.

VED:

Vehicle Excise Duty (often referred to as road tax or road fund licence) is included in the lease company quotation at the known rates at that time for the duration of the lease. In the event the government choose to increase this charge the Trust reserve the right to pass these charges onto you. More recently the government have linked Co2 emissions, fuel type and vehicle value to the cost of VED making high Co2 emitting and or diesels with a value exceeding £40,000 the most expensive.

Benefit in Kind Taxation (BIK):

The HMRC will amend your tax code to ensure you are paying tax on what is considered to be the benefit in kind of your chosen vehicle. The taxable benefit is based upon the value the HMRC place on the chosen vehicle, including any optional extras (this is called the P11d value) multiplied by a % based upon Co2 emissions and fuel type. The amount of tax you then pay is calculated by applying your applicable tax rate for your earnings to what is deemed the taxable benefit less any contribution you are making towards the vehicle. This amount is not included in your monthly contribution but is quoted at both 20 and 40% when your quote is returned to you so you will need to factor this into your budget. It is possible to mitigate this charge to nil if you are paying a considerable contribution to a low value and or lower Co2 emitting vehicle. Recently the government has also added an additional tax levy on diesel vehicles. Benefit in kind is referenced in your quotation using the rates at that time so this figure may change as the Government makes changes to rates and income tax thresholds.

Understanding which tax rate applies to you and how close you are to the next threshold can make a big difference to how much you pay and may influence your choice of vehicle. Please see the below link for more information.

<https://www.gov.uk/tax-company-benefits/tax-on-company-cars>

Why has the overall cost of a lease car increased so much since I last had one?

This may be as a result of a number of factors detailed above. Additionally, the impact of changes to government policy in terms of increases to IPT, VED and BIK rates are outside of the Trusts control.

PLEASE ENSURE YOU HAVE READ AND UNDERSTOOD THE TERMS AND CONDITIONS OF THE LEASE AGREEMENT BEFORE SIGNING YOUR CONTRACT AND SUBMITTING YOUR ORDER. (THESE CAN BE FOUND ON THE FLEET PORTAL UNDER MY DOCUMENTS SECTION.)

Example Quotations:

Based on 10,000 total miles per annum for a 20% tax payer

Make/Model	Kia Niro "2" Petrol Hybrid	
Co2 Emission	86g/km	
Taxable Value of Car	£23,340	
Taxable Benefit of Car	£1456.66	
		Monthly Cost
a	Lease Cost	£204.94
b	Admin	£2.91
c	VAT	£41.57
d	Insurance	£57.08
e	Amount You Pay	£306.50
f	Tax You Pay Per Month	£24.28
g	Total Cost To You	£330.78

This car represents good value on lease due to its low Co2 emissions and petrol engine. Some of these savings are offset by the high price of the vehicle.

Make/Model	Hyundai i30 1.6CRDi SE Nav Diesel	
Co2 Emission	110g/km	
Taxable Value of Car	£20925	
Taxable Benefit of Car	£2283.96	
		Monthly Cost
a	Lease Cost	£226.84
b	Administration	£2.91
c	VAT	£45.95
d	Insurance	£57.08
e	Amount You Pay	£332.78
f	Tax You Pay Per Month	£38.07
g	Total Cost To You	£370.85

This car represents lesser value than the Kia Niro due to its higher Co2 emissions and diesel engine. Some of these costs are offset by the lower price of the vehicle.

In summary by giving consideration to the factors which influence the overall cost it is possible to obtain a higher retail priced vehicle for a similar or lower lease cost to yourself.

We don't expect you to find your best value car independently so please contact us to discuss your specific requirements on 01142 729222 or quotes@fleetcare.org.