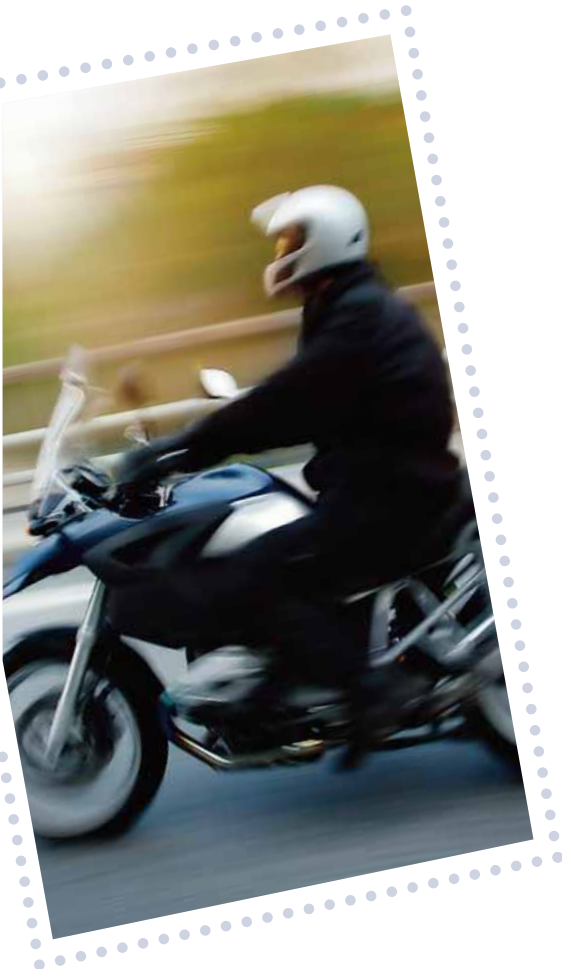


Motorbike



This factsheet is designed to explain the tax treatment of company motorbikes and the associated implications of this.

Providing a company motorbike to an employee can be more tax efficient than providing a company car.

The main benefits of company motorbikes are as follows:

1. All the VAT may be reclaimed on the purchase of a company motorbike, VAT will have to be charged on the motorbike when it is re-sold
2. There is no higher tax limit on what can be claimed in the company's tax calculation, all the cost of the motorbike qualifies for capital allowances
3. The benefit in kind values are generally lower and as such attract lower additional tax charges.

The employee is taxed as receiving a benefit in kind, which also means the company has to pay additional class 1A National Insurance.

The benefit in kind value of the motorbike is calculated as 20% of the total cost (including VAT) of the motorbike. Therefore, if the motorbike costs a total of £8,000, the benefit in kind to the employee will be £1,600 (£8,000 X 20%). This is apportioned where it is only available for part of a year but the tax charge continues to be payable for as long as the motorbike is made available. If the running costs (insurance, maintenance etc) of the motorbike are paid by the company there is an additional benefit in kind of 20% of these annual costs.

The employee pays tax at their highest rate on the benefit in kind value. Therefore, if they are a higher rate taxpayer and have a new motorbike costing £8,000 the extra tax they would pay would be £640 per annum. (£8,000 X 20% X 40%).

The company would also pay 13.8% Employers National Insurance on this benefit amount as declared on the P11d and this is payable by 22nd July after the end of the tax year. Please also remember that the invoice must be in the company name, the motorbike should be under the company's ownership (i.e. the log book in the company's name) and you will need a business insurance policy.

Please ensure that you advise us if you provide any employees with a company motorbike or any other asset or benefit in kind.

It should be noted that it is generally more tax efficient for an employee to use a personal motorbike and claim back mileage from the company at the HMRC approved rates, currently 24 pence per mile as this way there is no benefit in kind charge.

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