

## VEHICLE FUNDING GLOSSARY

### A

#### **AFRs: Advisory Fuel Rates**

The reimbursement rates for employees who undertake business miles in a company car. These advisory rates are published by HMRC and vary according to engine size.

#### **AFV: Alternatively Fuelled Vehicles**

A vehicle that runs on a fuel other than petrol or diesel - most often electric or hydrogen.

#### **AMAPs: Authorised Mileage Allowance Payments**

This is the maximum amount that can be reimbursed to employees undertaking business mileage within a private vehicle.

### B

#### **Balloon Payment**

This is a final payment of a financing agreement to satisfy the debt. It's often aligned with the forecasted value of the car at the end of a contract.

#### **BCH: Business Contract Hire**

An agreement between a business (whether it be a sole trader, PLC or limited company) and a vehicle leasing company. This method of finance allows a business to lease a vehicle, or vehicles, for a fixed period of time and set amount of mileage.

#### **BIK: Benefit In Kind**

A taxable benefit to an employee from an employer, such as a company car or fuel allowance.

### C

#### **Capital Allowance**

The tax relief on the depreciation of an asset, such as a car. It's usually spread over a number of years.

#### **Capital Contribution**

Contributed by the employee, this is a capital sum which goes towards the expenditure on a company car.

#### **Company Car Benefit**

Chargeable amount of tax to an individual for a company car within a tax year.

#### **CCT: Company Car Tax**

The tax paid on any car supplied by, or used by, a company. Taxes will vary, depending which band your vehicle fits into.

#### **Contract Hire**

The leasing of a vehicle for a fixed period of time and set amount of mileage. Once the contract has expired, the vehicle is returned to the leasing company.

### D

#### **Depreciation**

This is the loss in value of a vehicle over time, calculated as the difference between a vehicle's purchase price and its selling price.

### E

#### **Early termination**

If you decide you would like to cancel your lease contract before its end date, this is known as early termination. Usually you will have to pay a charge to terminate the contract.

#### **ECO: Employee Car Ownership**

A scheme where employers offer employees a monthly salary allowance to spend on a car of their choice. The vehicle is legally owned by the employee, meaning neither they nor the company will be subject to company car tax.

#### **Excess mileage pence per mile**

When you first arrange your lease, you will agree a set mileage with your lease provider that you expect the car to cover each year - it's important to be as accurate as possible. Excess mileage is an additional fee you will be required to pay if you exceed the annual mileage allowance on your lease contract.

### F

#### **FW&T: Fair Wear and Tear**

When you return your car at the end of its lease, your lease provider will perform an independent inspection of the vehicle to check the condition of both its interior and exterior. Fair wear and tear covers what is expected of the car's condition, depending on the age and mileage of the vehicle. Anything outside this, such as missing items or broken glass, will be susceptible to charges.

### Finance Lease

A lease which gives the individual who is leasing the car the risks and rewards which come with the ownership of the asset in terms of its change in value.

### Fuel Duty

This is a type of excise tax that is applied to fuel sales and is included in the price you pay for petrol, diesel or any other fuels used in a vehicle. The rate varies on the type of fuel you use - for petrol, diesel, biodiesel and bioethanol the rate is currently 57.95 pence per litre.

### FYA: First Year Allowance

For a number of cars with low CO2 emissions, businesses can deduct the full cost of the vehicle from their profits before tax.

## G

### GFV: Guaranteed Future Value

A term used to describe how the balloon payment in a lease contract agreement is calculated.

### Grey Fleet

You'll find this term is used to describe a vehicle that is used for business travel but is employee owned.

## H

### HP: Hire Purchase

An agreement where ownership of the vehicle does not change name (i.e. from the leasing company to the individual) until an option to purchase has been satisfied.

## L

### Lead Time

This is the time between the initiation of a lease contract and the completion of the process.

### Lessor and Lessee

A lessor is a person or organisation that owns an asset, whereas a lessee is a person or organisation that makes payments in instalments to use the asset.

## M

### MID: Motor Insurance Database

A central record of all insured vehicles on the roads in the UK that is managed by the Motor Insurers Bureau.

## P

### P11D Value

Price of a company car, which company car tax is based on.

### PCH: Personal Contract Hire

An agreement for a vehicle between an individual and a vehicle leasing company, where said individual leases a vehicle for a fixed period of time (usually long-term) and has a set amount of mileage.

### PCN: Penalty Charge Notice

A civil charge issued by the council which is usually given for parking/waiting offences. Can also be issued for driving offences, such as using a bus lane.

### PCP: Personal Contract Purchase

A purchase agreement for a vehicle in instalments by an individual through a finance company. Payments are usually set at an equal amount throughout the contract and it gives the individual the option to purchase the vehicle at the end of the agreement.

## R

### Reschedule

Arranging a new scheme of repayments for a vehicle lease.

### RFL: Road Fund Licence

The charge you have to pay to legally drive on roads in the UK. Also known as 'road tax' or 'vehicle excise duty / VED'.

### RV: Residual Value

Estimated value of a vehicle at the end of a lease agreement.

## S

### Salary Sacrifice

A scheme which allows businesses to offer employees the option to give up part of their salary in return for a lease car.

### S&LB : Sale and leaseback

Functioning as a form of loan, this is a type of transaction where the owner of a vehicle sells it and then leases it back from the buyer.

### SMR: Service, maintenance and repair

An optional service that looks after a vehicle's maintenance and repair during its contract.

### SORN: Statutory Off Road Notification

This declares that a car is no longer on UK roads. You will not have to pay tax or insurance if your car falls under this category.

## T

### TWDV: Tax Written Down Value

The value of any lease car for tax purposes after Writing Down Allowance (WDA) has been applied each year.

## U

### ULEV: Ultra-low emission vehicle

A type of vehicle that only emits extremely low emissions, typically less than 75g/kmCO<sub>2</sub>

## V

### VED: Vehicle Excise Duty

Often referred to as 'road tax', this is an annual payment which has to be made on any car which is on the roads in the UK.

### VIN: Vehicle identification number

Known as a car's fingerprint, this is a vehicle's unique identification code comprised of 17 digits and capital letters. No two vehicles in operation have the same VIN.

## W

### WDA: Writing Down Allowance

Calculated as a percentage of a car's value, this is the sum of the capital allowances that can be claimed in a calendar year.

### WLC: Whole Life Cost

This is the total cost of vehicle ownership over its lifetime.