

Welcome to FleetWise. Our FleetFit guides are crafted to help fleets make informed decisions, implement best practices, update policies, and support self-development. Developed by 360 Media Group, FleetWise equips fleet managers with actionable insights and strategic knowledge, enabling seamless buying decisions and future-proofing fleet operations.

Trading Up Guide: Making Low-Emission Company Cars Accessible

Upgrading to a higher grade company car is an important decision that can impact both driver satisfaction and business efficiency. This guide is designed to help employees and fleet managers navigate the process with clarity, ensuring that any upgrade aligns with our company's goals for sustainability, cost-effectiveness, and compliance with policy standards.

Whether you're seeking enhanced performance, improved features, or a greener option, this guide will provide the key considerations and steps for a smooth transition.

Why Company Car Drivers Should Consider Upgrading Their Vehicle

When a company driver considers contributing financially to upgrade to a higher-grade vehicle, their motivation is often to access a larger, more luxurious model or one with a longer driving range. A key appeal for many drivers is the opportunity to use savings from lower benefit-in-kind (BIK) taxes on electric vehicles (EVs) to help cover the additional cost, making the upgrade to a higher-end vehicle more affordable and attractive. There are several key benefits they can enjoy:

- **Improved Performance and Efficiency:** Higher-grade vehicles often come with more powerful engines or better hybrid and electric options, leading to a smoother driving experience, improved fuel efficiency, or lower emissions, depending on the choice.
- **Tax and Environmental Benefits:** Depending on the company's fleet policy and the country's tax structure, upgrading to an eco-friendlier vehicle (such as a plug-in hybrid or electric vehicle) could reduce personal tax liability while also contributing to sustainability goals.
- **Professional Image:** Upgrading to a more prestigious or advanced vehicle can help reflect a higher professional status, which may be beneficial in client-facing roles or for those who travel frequently for business.
- **Greater Personalisation:** Financial contributions allow drivers to choose a vehicle that suits their personal preferences, whether that means selecting a model with a more premium design, luxurious options, or additional convenience features that might not be available in lower-grade company cars.
- **Enhanced Resale or Buyback Value:** If the vehicle is part of a lease or buyback scheme, a higher-grade car may retain more value, leading to better terms when it's time for renewal or purchasing the vehicle outright at the end of the lease.
- **Access to Premium Features:** By contributing to the upgrade, drivers can access vehicles with advanced technology, better safety features, and enhanced comfort, such as upgraded interiors, infotainment systems, and driver-assist functionalities.

These benefits can make financial contributions for an upgrade appealing, offering a blend of personal satisfaction and practical advantages in their daily driving experience.

Key Policy Considerations for Facilitating Company Car Driver Upgrades

For employers, allowing trade-ups can improve employee satisfaction, but they must have policies in place to manage risks, such as early terminations or the return of upgraded vehicles if the employee leaves. Setting clear limits or caps on how much an employee can trade up helps ensure financial control and mitigate risks.

1. Eligibility

- Employees who are eligible to participate in the company's car scheme can request a trade-up to a higher-grade car if their job role or circumstances permit.
- Typically, seniority or specific job roles (e.g., management, sales executives) are entitled to cars of higher grades. There may be a waiting period before a trade-up is allowed, depending on operational costs and vehicle lifecycle.

2. Request Process

- **Submission of Request:** Employees must formally request the trade-up through HR or the fleet management team. This request should include:
 - Justification for the trade-up.
 - Preferred vehicle model or grade.
- **Approval Process:** Approval typically involves a review of:
 - Employee's eligibility.
 - Availability of the desired vehicle.
 - Company budget constraints.
 - Environmental and sustainability considerations.

3. Financial Considerations

- **Employee Contributions:** Employees may be required to contribute financially if they choose a higher-grade vehicle. This contribution could cover:
 - The difference between the standard model and the upgraded model.
 - Higher Benefit-in-Kind (BIK) tax associated with the higher-value vehicle.
 - Any additional insurance or maintenance costs.
- **Benefit-in-Kind (BIK) Tax:** The employee will need to be aware of how the upgraded car impacts their personal BIK tax liability, which is calculated based on the car's CO2 emissions and list price.
- **Fuel:** If the upgraded vehicle has a higher fuel consumption rate, this could lead to increased fuel costs, which may also be the employee's responsibility unless fuel is fully covered by the company.

4. Environmental Considerations

- **Sustainability Goals:** The company may have sustainability or environmental goals that limit the choice of higher-grade vehicles. For example, the employee may be encouraged or required to choose a vehicle with lower emissions.

- **CO2 Emissions Cap:** Many companies impose a cap on CO2 emissions for company cars to align with environmental policies. Employees requesting an upgrade may need to ensure their preferred vehicle complies.

5. Insurance and Maintenance

- The company typically provides insurance and covers maintenance costs for company vehicles. However, if the employee trades up to a higher-grade car:
 - The cost of insurance may increase, and the employee could be asked to cover any excess.
 - Routine maintenance and repair costs would still be covered by the company, provided the vehicle is used within normal business conditions.

6. Depreciation and Contract Terms

- **Depreciation Considerations:** Trading up to a higher-grade car may come with different depreciation rates, which can affect the company's overall cost.
- **Lease Terms:** If the company operates a leasing scheme, the employee may be required to wait until the current lease term ends before trading up. Early termination of a lease may incur penalties that are passed on to the employee.

7. Vehicle Return and Trade-Up Timing

- **Vehicle Inspection:** Before trading up, the employee's current vehicle will be inspected for any damage or excessive wear. Any costs associated with these issues may be the responsibility of the employee.
- **Timing:** There may be a waiting period for the new vehicle to be delivered, and trade-ups may only be allowed at specific times during the year.

8. Contractual Agreement

- Employees trading up to a higher-grade vehicle will need to sign a contractual agreement outlining their responsibilities for any additional costs, tax implications, and compliance with company car usage policies.

9. Exceptions and Discretion

- **Management Discretion:** In exceptional cases, such as a promotion or a change in job role that requires more extensive travel, the company may allow an immediate upgrade without adhering to standard policy.

Summary

Trading up to a greener company car offers a win-win solution for both employees and employers. By making financial contributions, employees can access their preferred vehicle with enhanced features, while potentially reducing Benefit-in-Kind (BIK) tax liability when opting for low-emission models. For the employer, this approach not only boosts employee satisfaction but also contributes to a greener fleet, aligning with sustainability goals and potentially lowering the company's overall carbon footprint.
