



Fleet.  
Wise.

# Vehicle Leasing Buying Guide

Outsource the hardwork of running your company fleet to a Lease Co, and focus your energies on your core activities. Leasing companies are at the heart of the fleet industry and competition is extreme.



# Why lease company vehicles?

Companies that lease vehicles make up the biggest sector of the fleet industry.

Typically, leasing vehicles is one of the largest long-term investments for any business operating a fleet, so choosing the right partner is essential. These relationships need to be transparent and reliable, and never more so than over the next decade, as fleets transition towards zero emissions with all the change and complexity that entails.


Fleet leasing companies provide numerous benefits and essential services to help businesses manage their vehicle fleets efficiently and cost-effectively. By leasing vehicles rather than purchasing them, companies can preserve capital and improve cash flow.

Offering company cars to employees is also often seen as a benefit, and there are several ways for company drivers to structure how they pay for this, such as Salary Sacrifice to maximise the tax efficiency of the lease. See our Salary Sacrifice guide.

## What services do Lease Cos offer?

The list of services on offer includes vehicle acquisition, maintenance and disposal, which reduces the administrative burden on businesses.

Fleet leasing services often oversee vehicle maintenance and repairs, minimising downtime and ensuring that company vehicles remain in optimal condition, reducing the risk of costly breakdowns – in both time and money – and keeping a fleet running smoothly.



Additionally, leasing companies often provide fleet-management software, enabling real-time tracking of vehicle locations, fuel consumption and driver behaviour. The best leasing firms help companies to optimise their vehicle-related costs, by negotiating bulk discounts on vehicles, parts and services, ensuring that businesses maximise the value of their investment. To do this successfully, the fleet manager must rely on their leasing company to deliver time after time, and never more so than in today's super-competitive business landscape.

Another significant benefit to leasing is the ability to regularly upgrade to the latest models, ensuring fleets remain modern and fuel-efficient. This leads to lower operational costs and improved environmental performance. Fleet leasing companies also ensure regulatory compliance and offer support for managing insurance and accident claims.

The best leasing companies also offer driver-management services – including training, safety and performance monitoring – ensuring that drivers adhere to company policies and operate vehicles responsibly.

## Lease Cos and the ZEV transition

In an increasingly eco-conscious world, leasing services can help to implement and monitor sustainability initiatives, such as transitioning to electric vehicles or optimising routes to reduce emissions.

With teams of EV specialists in-house, the best leasing companies also provide comprehensive and in-depth advice on how best to transition a fleet to electric, avoiding the expensive pitfalls that await the unwary.

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## Potential employer/driver costs when company vehicles are returned

**Excess Mileage** – If the vehicle exceeds the pre-agreed mileage limit, a charge per extra mile is applied, typically ranging from a few pence to higher rates for premium models.

**Damage to Vehicle** – Any damage beyond fair wear and tear (e.g: scratches, chips or dents) leads to additional charges for repairs or refurbishment, often assessed during the final vehicle inspection.

**Early Termination** – Ending the lease before the agreed contract term can result in a penalty, typically a portion of the remaining lease payments, varying based on the leasing company's terms.

## The essential things you need to consider when choosing a Lease Company partner

Speak to any prospective lease company about these elements of any lease agreement, to ensure you have a clear understanding of any limitations.

**Long-Term Costs** - Over time, leasing may be more expensive than owning vehicles, as businesses continually pay for leasing without building asset equity.

**Contract Limitations** - Lease agreements may impose restrictions on mileage and vehicle usage, with penalties for overuse or excessive wear and tear.

**Less Flexibility in Ownership** - Companies have less control over the fleet, and customisation options may be limited compared to owning vehicles outright.

**Commitment to Lease Terms** - Early termination fees or contract modifications can lead to unexpected costs if the business needs to adjust its fleet requirements before the lease expires.

**Potential Lack of Full Control** - While leasing companies manage operations, businesses may have less direct oversight of maintenance schedules or vendor choices.



# How will leasing a company car affect an employee's tax situation?

Leasing a company car in the UK can affect an employee's tax situation due to Benefit-in-Kind (BiK) tax, which applies when an employer provides an employee with a company car for personal use. Here's how it impacts the employee's tax obligations:

## How BiK Tax Works

Benefit-in-Kind Tax - The company car is considered a non-cash benefit, and employees are taxed on the personal use of this vehicle. The tax amount is based on several factors.

## Factors Affecting BiK Tax

**Vehicle's P11D Value** – This is the list price of the car, including VAT and any options, but excluding the first-year registration fee and road tax.

**CO2 Emissions** - The lower the car's CO2 emissions, the lower the BiK tax rate. Electric and hybrid vehicles have lower BiK rates, which can significantly reduce tax liability.

**Employee's Tax Bracket** - The amount of BiK tax an employee pays depends on their income tax bracket (20%, 40% or 45%).

## How company car Tax is Calculated

The BiK tax is calculated by multiplying the car's P11D value by the BiK rate (determined by CO2 emissions and fuel type) to get the taxable benefit. This taxable benefit is then taxed at the employee's income tax rate. For example, a 20% taxpayer pays 20% of the taxable benefit amount as tax.

An example:

A petrol car with a P11D value of £30,000 and a BiK rate of 20% would result in a taxable benefit of £6000. An employee in the 20% tax bracket would pay £1,200 annually in BiK tax for using the car.



# Additional considerations for company car drivers

**Company-Provided Fuel** – If the company also provides fuel for personal use, the employee is liable for an additional fuel benefit tax, which is based on a fixed value, not actual fuel usage.

**Electric Vehicles** – These currently benefit from very low BiK rates (often 2%), making them a tax-efficient option for both employees and businesses.

Leasing a company car can offer convenience, but employees must consider the impact of BiK tax on their overall tax burden. Electric or low-emission vehicles can significantly reduce this liability.

Note: All employees should have a detailed understanding of their tax arrangements before entering into such a company vehicle agreement, and the employer should be aware of any potential implications and how to manage these.



# Lease Cos summary

In summary, UK business vehicle leasing companies are indispensable for efficient fleet management.

Fleet leasing companies help businesses manage their vehicle fleets efficiently by reducing upfront costs and minimising the financial burden of vehicle ownership. They offer expert maintenance, repairs and management, ensuring vehicles remain in top condition, which reduces downtime and boosts productivity.

Leasing provides flexibility, allowing companies to upgrade to newer models more frequently. Fleet management services often include tracking, reporting and compliance with regulations, leading to better control over fuel consumption, insurance and driver behaviour. Overall, fleet leasing companies streamline operations, save costs and allow businesses to focus on core activities instead of managing vehicles.

Picking the right Lease Co ultimately contributes to a company's success and reputation.

