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***Company Vehicles***

**Small Business Research Trust,  
School of Management,  
The Open University,  
Walton Hall,  
Milton Keynes.  
MK7 6AA**

**Tel: 0190 865 5831**

## WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

## THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

## INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

## PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

## SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,  
University of Westminster**  
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,  
Kingston University**  
<http://business.kingston.ac.uk/sbrc>

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Quarterly Small Business Management Report  
ISSN 0968-6444

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- 1 Surviving The Recession .....February 1993
- 2 Using Your Time .....June 1993
- 3 Management Style ..... September 1993
- 4 Financial Management .....December 1993

1994 (Vol.2)

- 1 Purchasing ..... March 1994
- 2 Quality Standards & BS 5750 .....June 1994
- 3 Management Succession.....August 1994
- 4 Customers & Competitors . November 1994

1995 (Vol.3)

- 1 Information Technology..... March 1995
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1996 (Vol.4)

- 1 Training ..... March 1996
- 2 A Day In The Life .....June 1996
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- 4 Tax Compliance .....December 1996

1997/8 (Vol.5)

- 1 'Europe' & Small Businesses ... March 1997
- 2 Employee Recruitment.....July 1997
- 3 Information Technology..... October 1997
- 4 Business Support Agencies.. January 1998

1998/9 (Vol.6)

- 1 Entrepreneurship..... May 1998
- 2 Work & Stress ..... September 1998
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1999/2000 (Vol.7)

- 1 The Impact of Holidays .....June 1999
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- 4 Exit Routes..... March 2000

2000/01 (Vol.8)

- 1 E-commerce .....June 2000
- 2 Sources of Finance ..... September 2000
- 3 Transport & Government ....December 2000
- 4 Government & Regulations .....April 2001

2001/02 (Vol.9)

- 1 Marketing & Sales.....July 2001
- 2 The Human Side of Enterprise ..... Oct 2001
- 3 Health Issues ..... January 2002
- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in Business .....August 2002
- 2 The Euro .....December 2002

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Small Business Management Report  
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- 3 Crime Against Small Firms ..... June 2003

Lloyds TSB & SERTeam  
Small Enterprise Research Report  
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And Politics .....October 2003
- 2 Pensions ..... February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & Enterprise .....October 2004
- 2 Made in Britain ..... February 2005
- 3 Management & Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT ..... May 2006
- 3 Networking in Business .... September 2006

2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

## WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

## LIABILITY DISCLAIMER

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## HIGHLIGHTS

This is the eleventh of a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Company Vehicles** in small firms. The principal findings were as follows:

- **Number of vehicles** - About 85 per cent of our sample firms were running cars in the business, though probably most of the remaining small business owners now run cars privately for tax reasons. Fewer than half of respondents use vans, and these are most used in manufacturing and retailing. Lorries are used by less than 10 per cent of respondents.
- **Expenditure** on motor vehicles is a large item: even in the 0-4 employee size band, 43 per cent of respondents are spending between £5,000 and under £50,000 a year. For firms in the 10-49 employee size bands, almost half are spending between £10,000 and under £100,000.
- **Motivation** - 47 per cent of respondents say that company cars are acquired primarily for business use. A further 32 per cent admit to some personal benefit from car use, but only 10 per cent say that cars are a reward or a personal benefit.
- **Financing** - The most popular means of financing cars is hire purchase (36 per cent), and 26 per cent of respondents combine external and internal finance. 30 per cent pay cash from the business. Leasing and lease purchase are used only by 23 per cent (only 17 per cent, by the smallest firms) and bank overdraft or loan by 4 per cent.
- **Vehicle replacement** - 34 per cent of respondents replace their cars within three years, and 41 per cent within 3-5 years. Only 9 per cent are replaced after five years or more. Vans are replaced at longer intervals than cars, and lorries at longer intervals still - all after three years or more.
- **Makes used** - The cars most frequently used are Fords, followed by up-market German makes (for example, BMW/Mercedes), Vauxhall, Peugeot-Citroen, Japanese cars, Volvo/Saab and Rover. The responses, when compared with new registration data, suggest that higher price cars, especially German and Swedish cars, are particularly popular: small firms appear to be attracted by the low depreciation experienced on such cars. The use of Volkswagen, Italian and perhaps Japanese cars is less widespread among our respondents than might be expected from total market data.
- **Taxation** - Some respondents feel strongly that it is wrong to tax cars - which are a business tool - heavily. There are complaints about the car-related administrative costs imposed by the tax authorities, about the imposition of national insurance contributions on car benefits, and VAT, which is not reclaimable even for registered traders. The new company car tax regime in particular comes in for criticism. Small business owners are turning against company cars as a reward for employees not only for tax reasons but also because cars are seen to be a source of conflict.



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## ACKNOWLEDGEMENTS

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The Trust acknowledges the help provided by Graham Bannock & Partners Ltd, David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.



## MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report will address one or more highly topical small business management issues. In this survey we focus on ***company vehicles***.

Past surveys have covered:

### ***1993: Vol.1***

- No.1 Surviving The Recession***
- 2 Using Your Time***
- 3 Management Style***
- 4 Financial Management***

### ***1994: Vol.2***

- 1 Purchasing***
- 2 Quality Standards & BS 5750***
- 3 Management Succession***
- 4 Customers & Competitors***

### ***1995: Vol.3***

- 1 Information Technology***
- 2 Holidays***

It is planned to cover the following management issues in future:

- Prices
- Health & Safety
- Personnel
- Incentives
- Premises

## THE SAMPLE

This report is based on responses received from a panel of some 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

## RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during June 1995.

## ATTITUDES TO COMPANY VEHICLES

Respondents were invited to comment upon any issues about which they felt strongly, and 30 per cent chose to do so. Almost two-thirds of these comments had to do with taxation.

Several respondents thought it wrong in principle to tax cars which are *"an essential business tool"*. There were complaints that VAT on cars cannot be reclaimed, that employers' national insurance contributions are applied to the personal benefit, and about the *"administration involved in recording mileages, fuel used, etc."*

The new company car tax regime, which is based on a percentage of list prices (not on the amount actually paid - often lower) rather than price and engine capacity bands, came in for criticism. For example:

*"Recent changes to personal car benefit taxes mitigate against the sound economic sense of companies to use high value, low depreciation vehicles over extended periods of time and mileage."*

According to press reports, the increasing taxation of private car benefit has not yet greatly modified the attitudes of large companies to executive cars. This does not seem to be the case for small firms: almost one in five of those commenting had decided to do away with company cars:

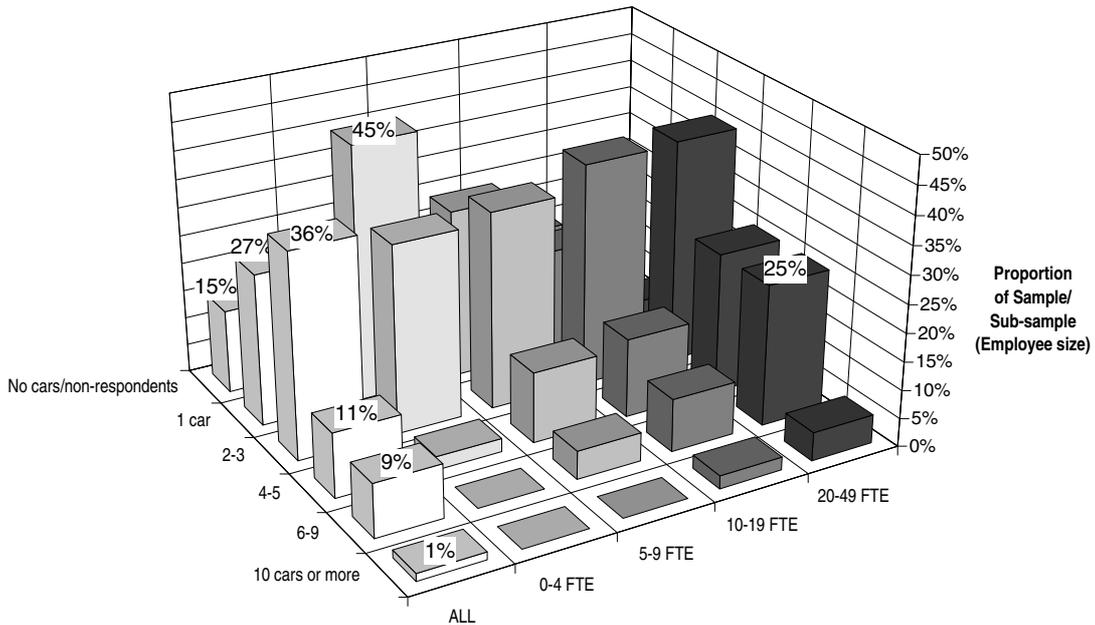
*"Too many forms etc. to fill in nowadays, and tax and insurance to pay on company cars, hence we have taken them out of our business."*

*"Too high taxation, therefore we privately own."*

However, turning against the company car was not just a matter of taxation, and several were giving employees a car allowance instead:

*"Unless required for operations, cars as rewards should be avoided - source of conflict."*

**Fig 1 - BUSINESS CAR USE: BY EMPLOYEE SIZE**



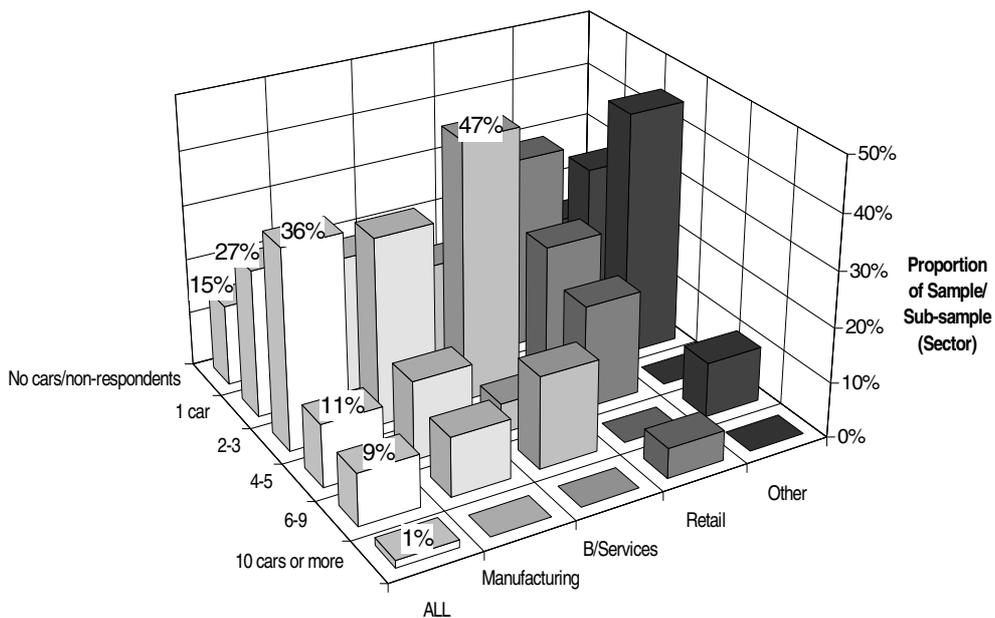
**NUMBER OF VEHICLES**

The vast majority of respondents' businesses have vehicles for everyday use. Only 7 per cent had no cars, but a further 7 per cent did not respond to the question, and most of these probably had no cars. It seems, therefore, that about 85 per cent of our sample firms were running

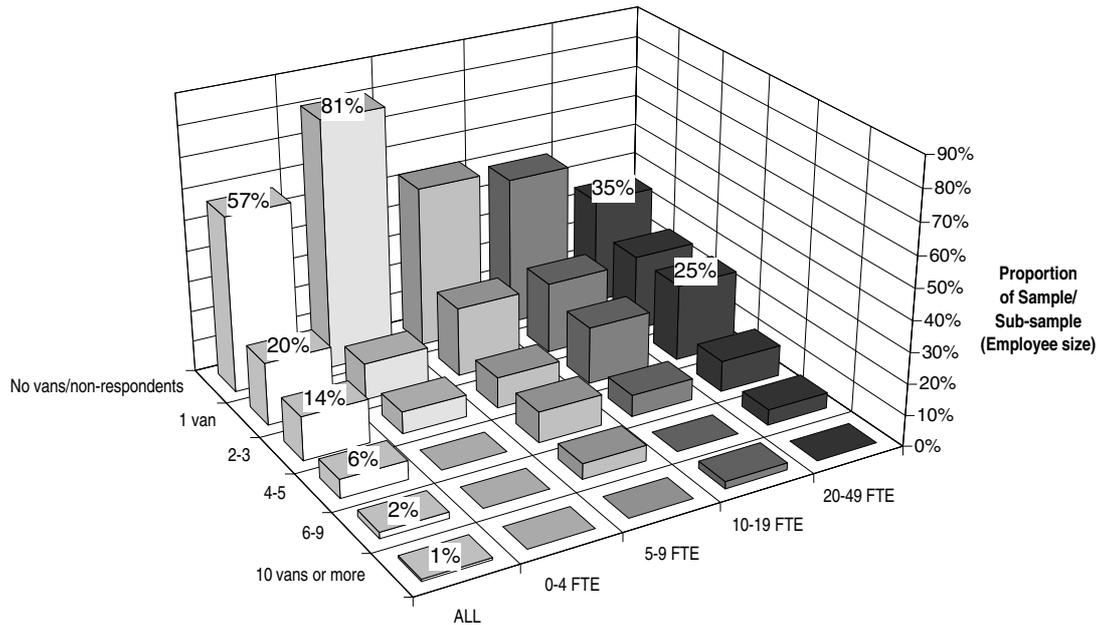
cars in the business, though respondents' comments (see later) indicate that many small business owners - probably most of the remaining 15 per cent - now run cars privately for tax reasons.

The taxation of the 'personal benefit' of company cars has been increasing in recent years for incorporated businesses.

**Fig 2 - BUSINESS CAR USE: BY SECTOR**



**Fig 3 - BUSINESS VAN USE: BY EMPLOYEE SIZE**

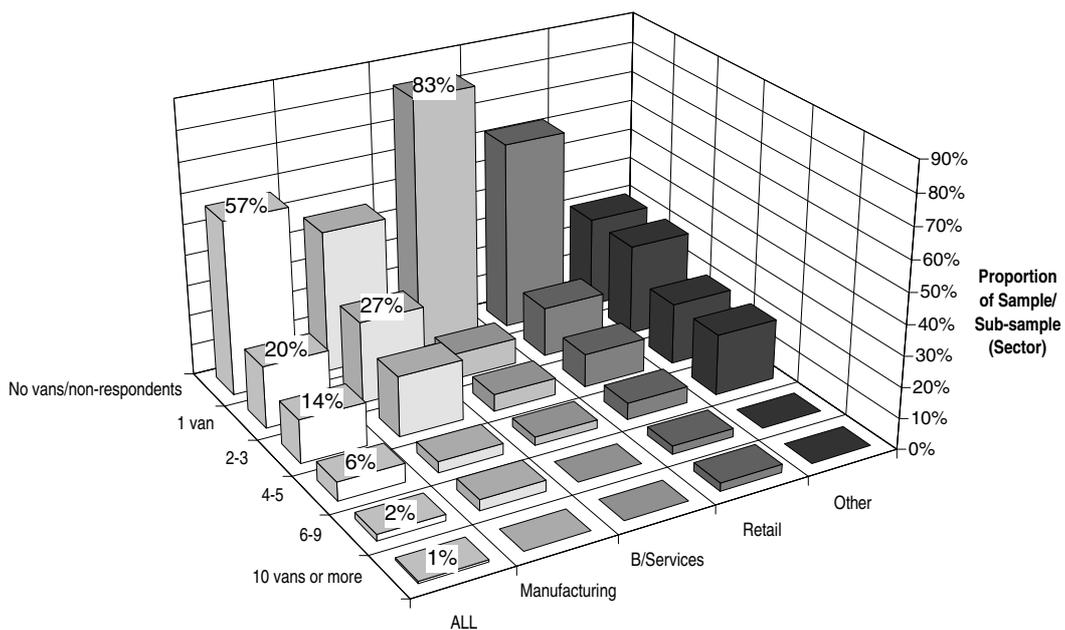


In some circumstances, especially taking into account the administrative costs of making returns and keeping the necessary records, there is no financial advantage, and even some disadvantage, for both owners and employees in maintaining cars in such businesses. The self-employed in partnerships and sole proprietorships are treated more

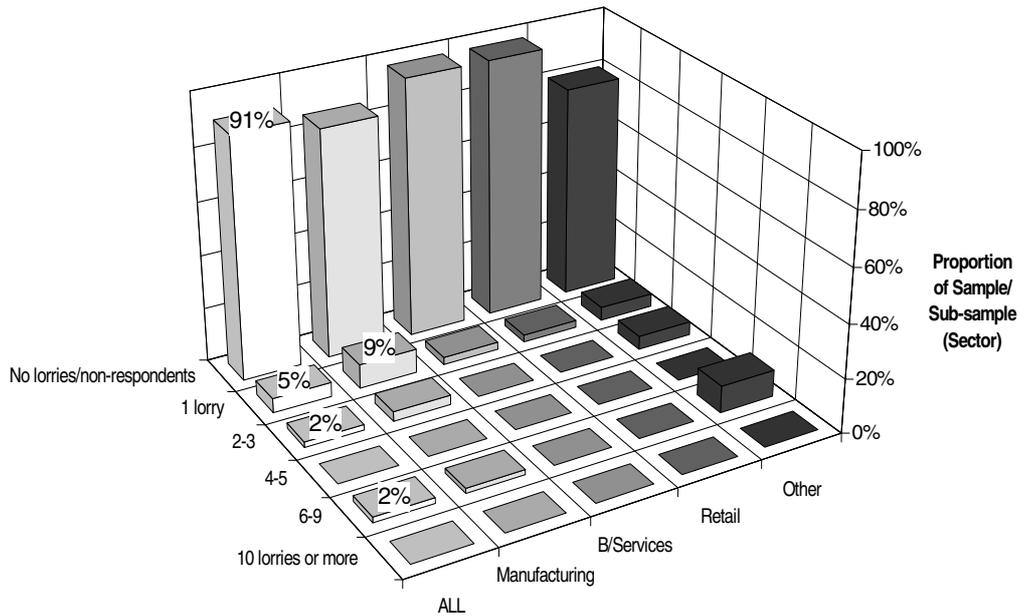
favourably for tax purposes in respect of cars in business ownership.

Obviously, the larger the firm the more business cars it is likely to have, and differences between activity sectors are probably mainly related to firm size (Figure 1). Firms in business services appear to have more cars than those in

**Fig 4 - BUSINESS VAN USE: BY SECTOR**



**Fig 5 - BUSINESS LORRY USE: BY SECTOR**

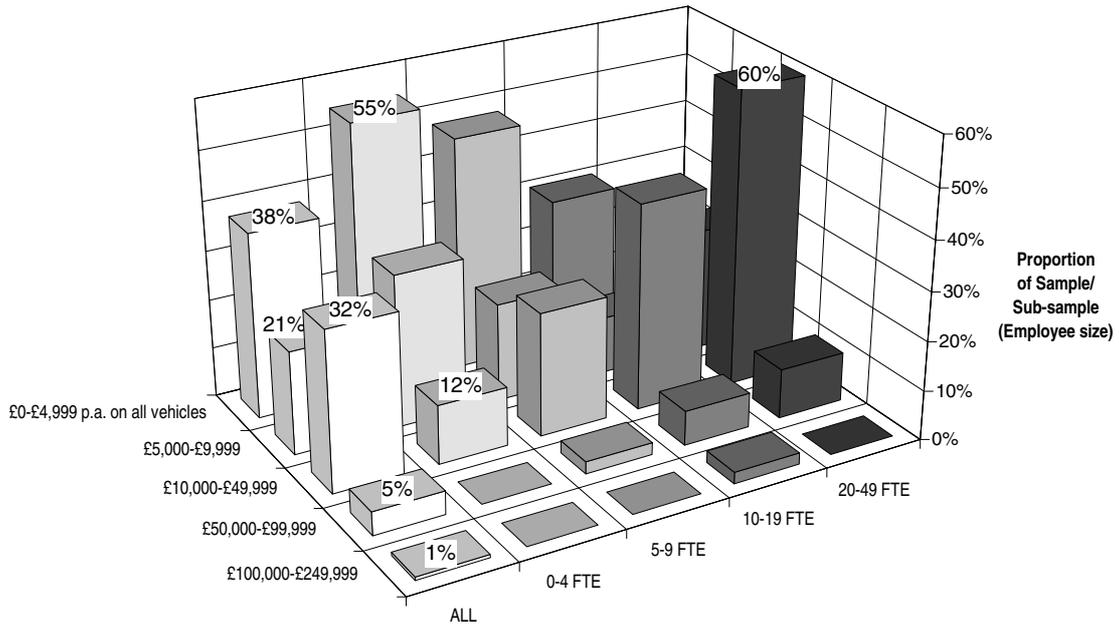


other sectors (**Figure 2**).

Allowing for non-response as before, it seems that fewer than half of our respondents use vans and these are most used in manufacturing, least in business services, with more extensive use in retailing (**Figure 4**).

Lorries are used by less than 10 per cent of respondents, and mostly in manufacturing (**Figure 5**). Regional variations in vehicle usage do not seem to be significant.

**Fig 6 - EXPENDITURE ON ALL VEHICLES: BY EMPLOYEE SIZE**

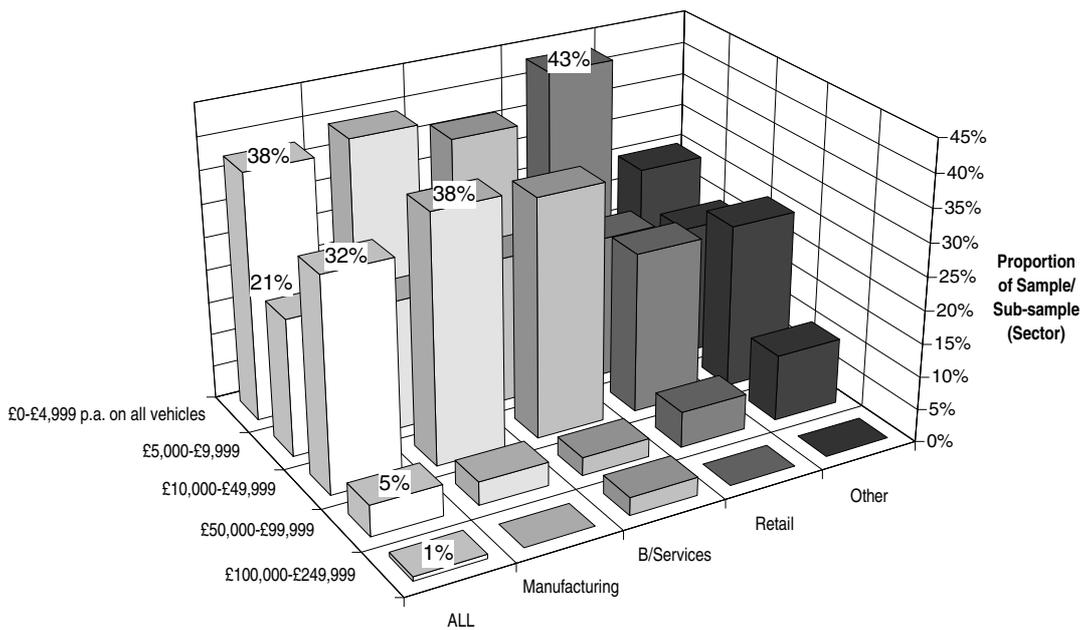


**EXPENDITURE ON VEHICLES**

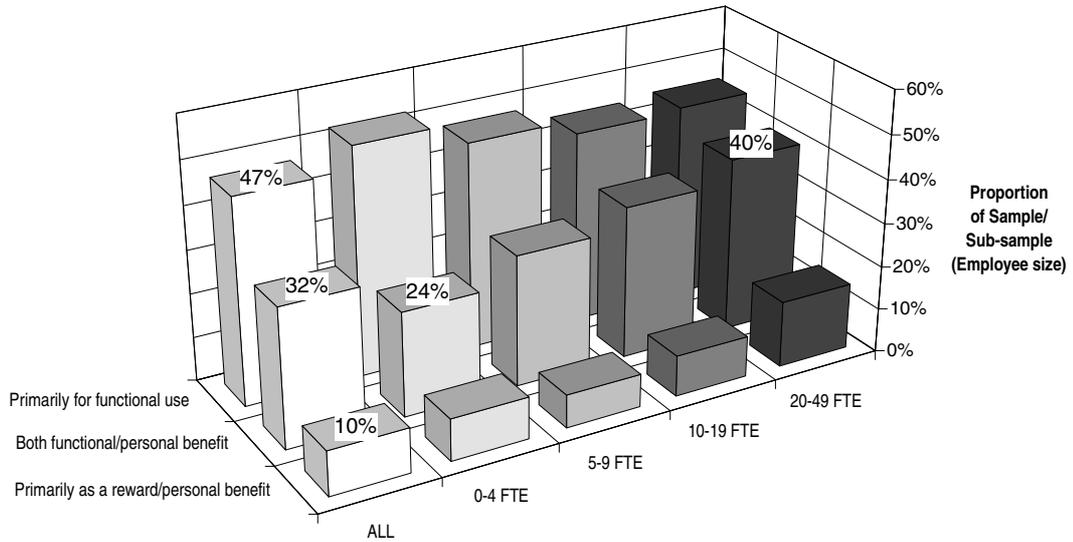
Expenditure on vehicles is a large item: even in the 0-4 employee size band, 43 per cent of respondents are spending between £5,000 and under £50,000 a year (Figure 6). For firms in the 10-49 employee size bands, about half are spending between £10,000 and under

£50,000. Given that some of these respondents do not run vehicles in the business - one claimed ownership of two bicycles - average expenditure is somewhat higher than these figures imply, though respondents seem to have interpreted questions on costs, and other questions, as applying to privately-owned as well as business vehicles.

**Fig 7 - EXPENDITURE ON ALL VEHICLES: BY SECTOR**



**Fig 8 - MOTIVATION IN COMPANY CAR ACQUISITION:  
BY EMPLOYEE SIZE**

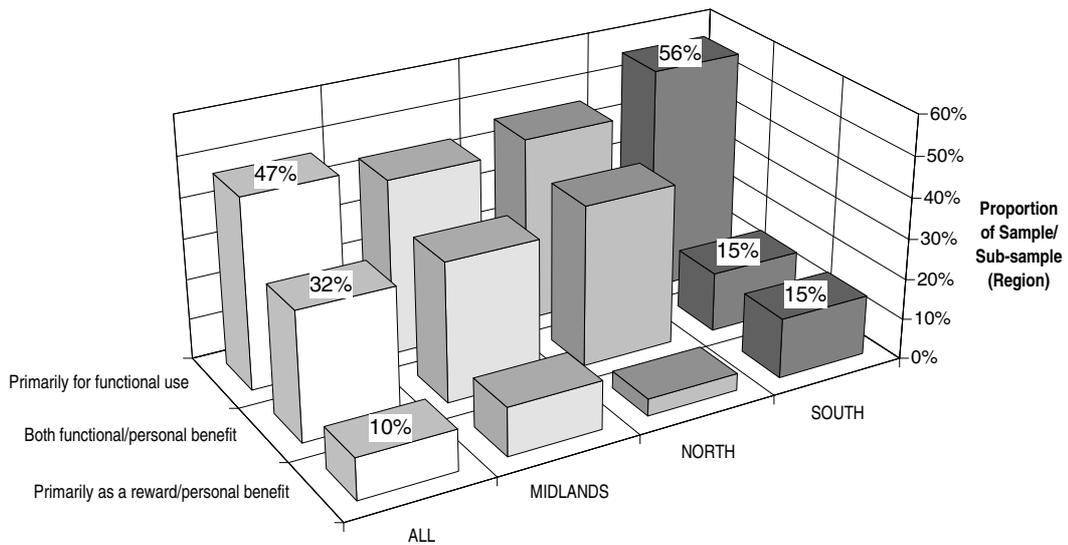


**MOTIVATION IN ACQUISITION OF VEHICLES**

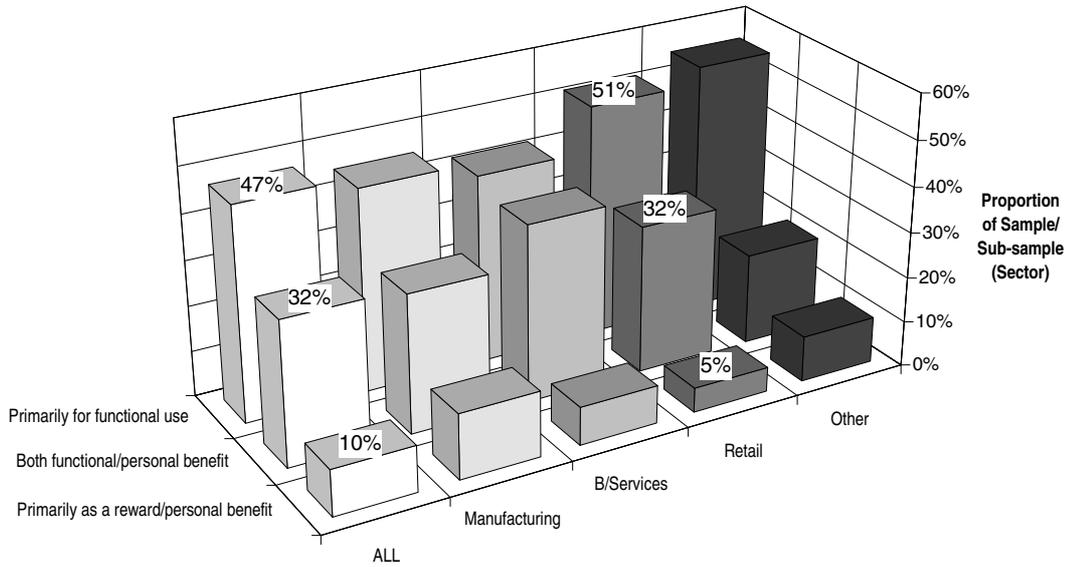
Some 47 per cent of respondents say that company cars are acquired primarily for business use, in line with the contention of many that cars are essential business tools (**Figure 8** - see also *Respondents' Comments* later). A further 32 per cent

admit to some personal benefit from car use, but only 10 per cent say that cars are used in the business as a means of reward or a personal benefit. Reward and personal benefit are significantly more common motivations in larger businesses, and functional use more important in the South than in the Midlands and North (**Figure 9**).

**Fig 9 - MOTIVATION IN COMPANY CAR ACQUISITION: BY REGION**



**Fig 10 - MOTIVATION IN COMPANY CAR ACQUISITION: BY SECTOR**

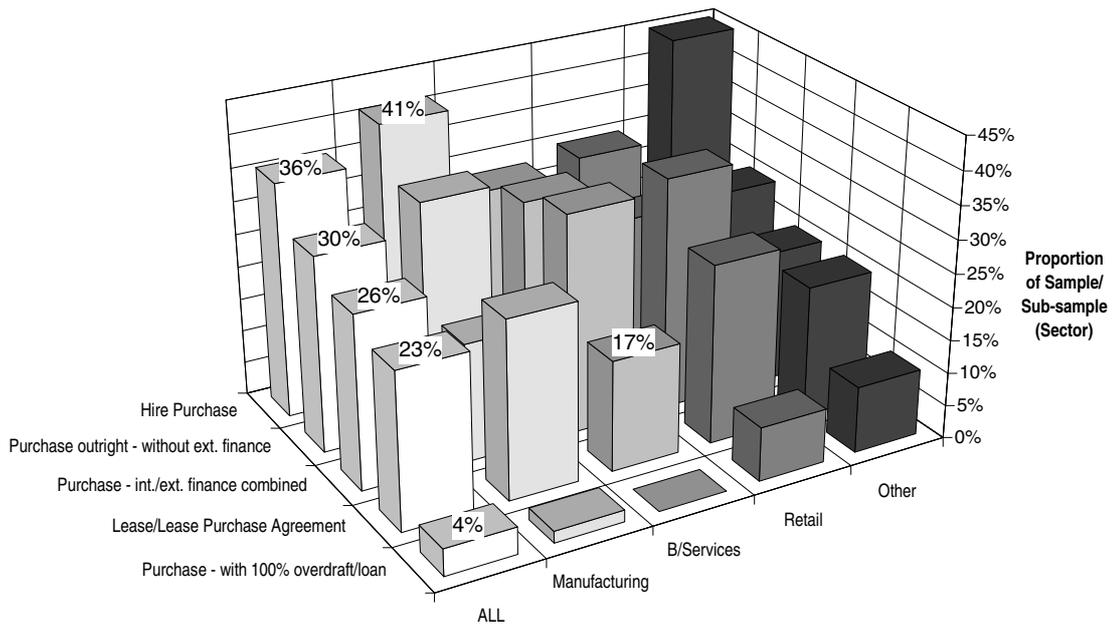


**VEHICLE FINANCING**

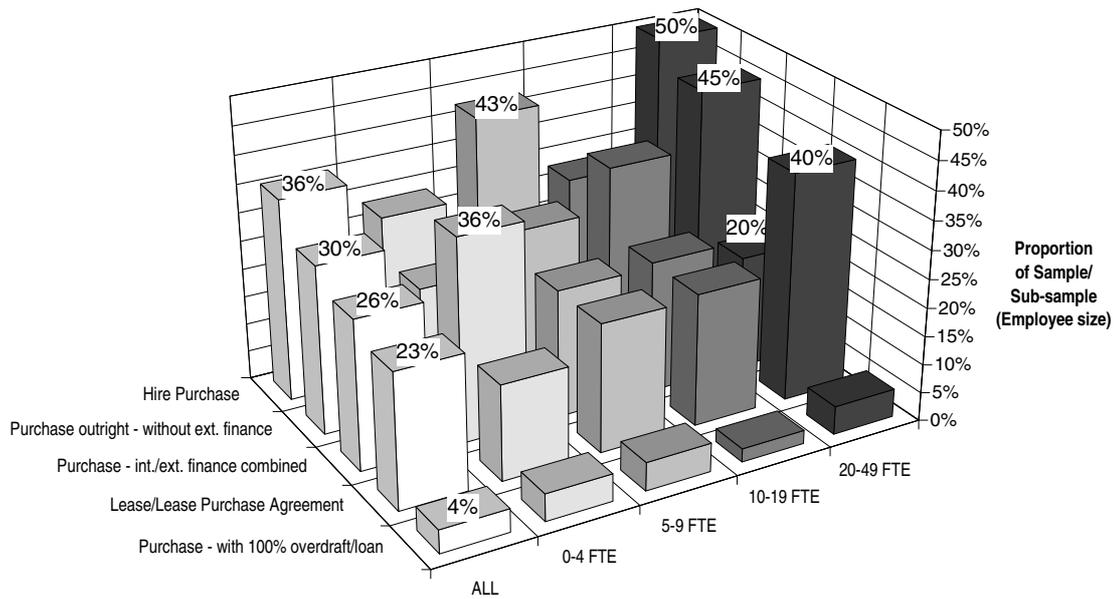
A wide range of options is available for the financing of vehicles. The most popular is hire purchase, used by 36 per cent of respondents and particularly in Manufacturing (41 per cent) and Other (45 per cent) (**Figure 11**). Some 30 per cent of respondents pay cash without the use

of external finance, and 26 per cent combine internal and external finance (no doubt including hire purchase and other means). Leasing and lease purchase is used by 23 per cent of respondents. Only 4 per cent, mostly in Retailing and Other, use a bank overdraft or loan. This form of finance was not used at all in the South by our sample.

**Fig 11 - PREFERRED METHODS OF VEHICLE FINANCING: BY SECTOR**

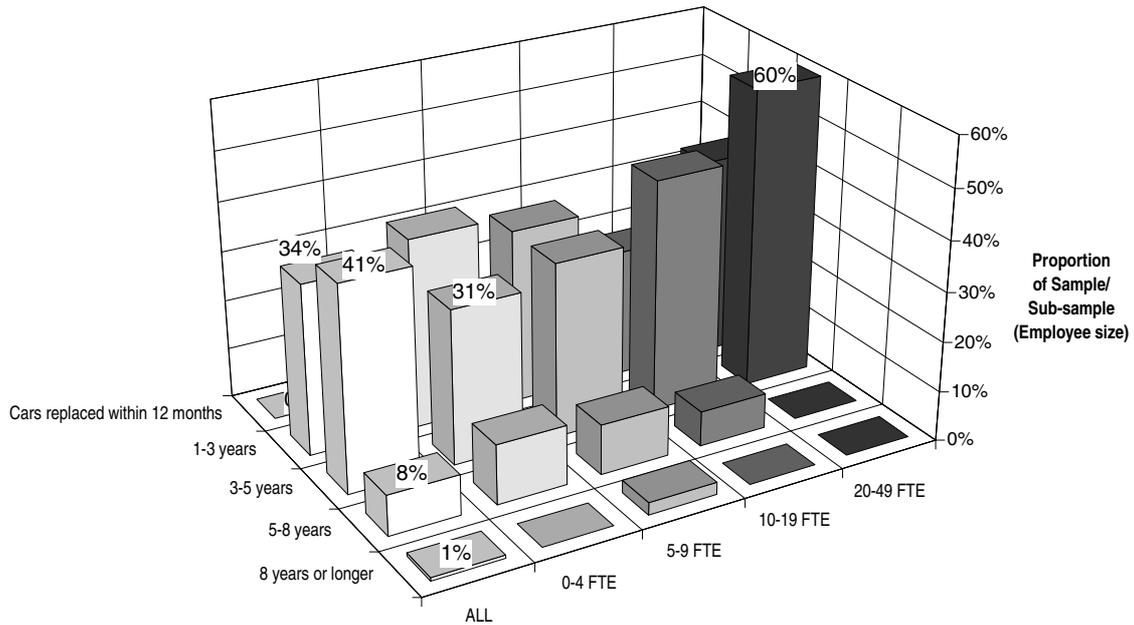


**Fig 12 - PREFERRED METHODS OF VEHICLE FINANCING:  
BY EMPLOYEE SIZE**



The smallest firms (0-4 employees) are most likely to combine internal and external finance, and somewhat less likely to use straight hire purchase and leasing (**Figure 12**). Larger firms are more likely to use hire purchase, leasing and cash. The use of bank finance does not seem to be high for any firm size band. Although no respondents commented on this, the popularity of hire purchase, which is not typically the cheapest of options, is perhaps explained by the ease with which it can be arranged and the freedom it gives for the use of bank finance for other purposes. Lease purchase, which may be cheaper than hire purchase, is used surprisingly little by small firms.

**Fig 13 - REPLACEMENT OF CARS: BY EMPLOYEE SIZE**



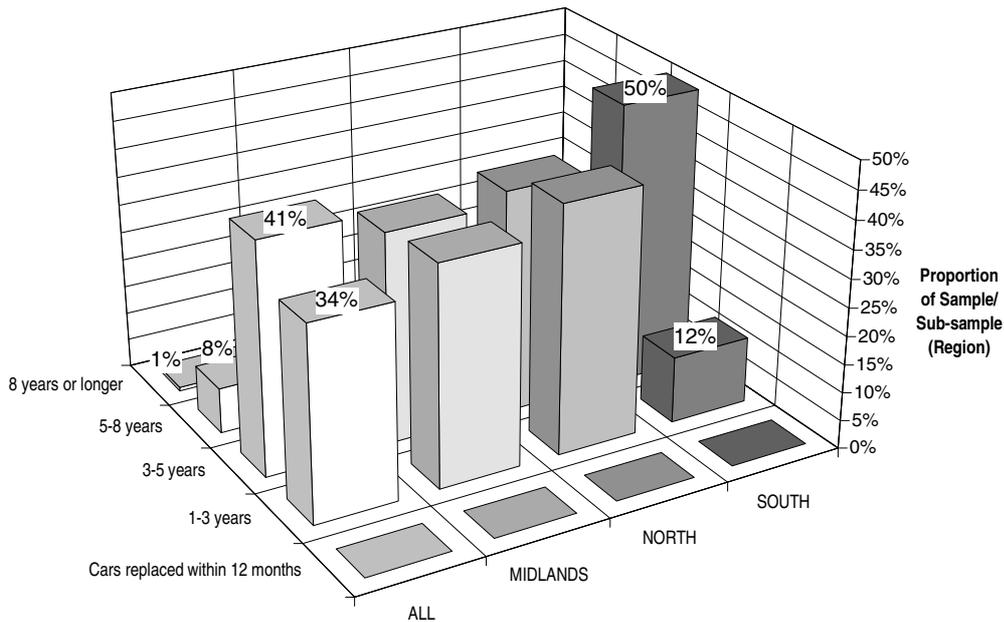
**VEHICLE REPLACEMENT POLICY**

Cars tend to be replaced within 1-5 years, with more towards the end of that period than at the beginning. 34 per cent are replaced within three years, and 41 per cent within 3-5 years. None are replaced within 12 months, and only 9 per cent after five years or longer. There seems to

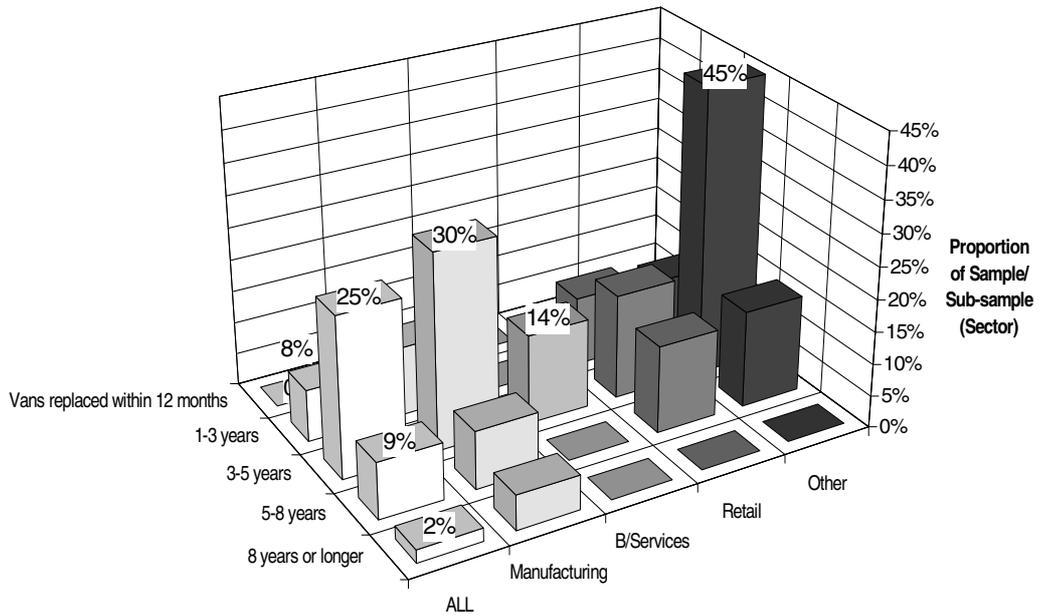
be some tendency for larger firms, and for firms in the South, to replace cars at longer intervals (**Figure 14**). These patterns do not seem to vary significantly by sector.

Vans are replaced at longer intervals than cars, and lorries at markedly longer intervals: in no case less than three years.

**Fig 14 - REPLACEMENT OF CARS: BY REGION**

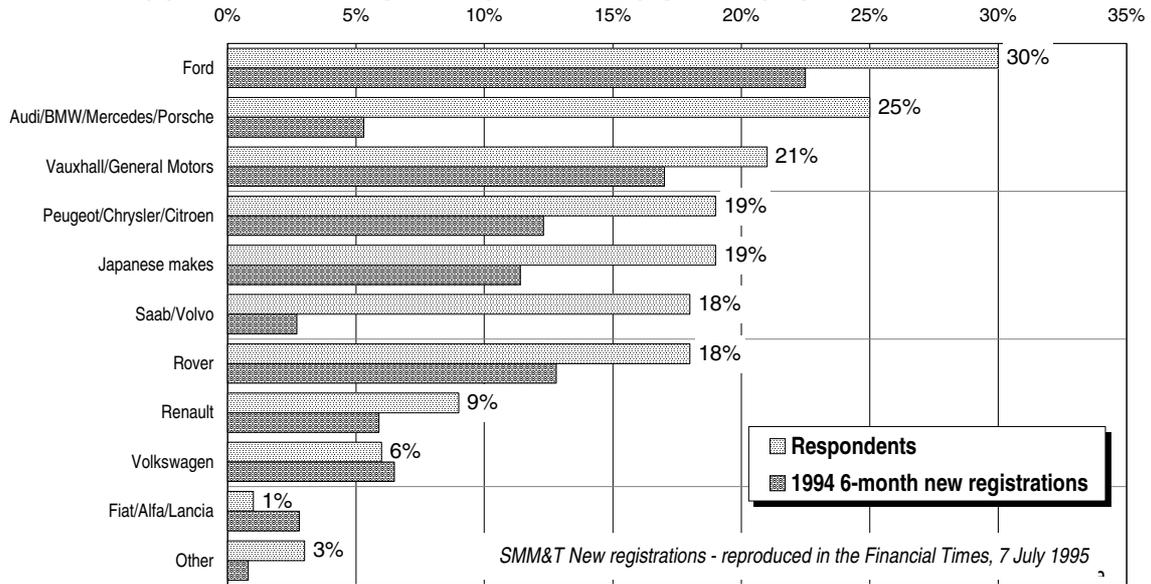


**Fig 15 - REPLACEMENT OF VANS: BY SECTOR**



It should be noted, in interpreting **Figures 15**, that relatively fewer firms own vans or lorries rather than cars. Vehicles are replaced less frequently in manufacturing and retailing than in other sectors.

**Fig 16 - RESPONDENTS USING ONE OR MORE CARS OF GIVEN MAKE, COMPARED WITH SHARE OF NEW REGISTRATIONS BY THAT MAKE**



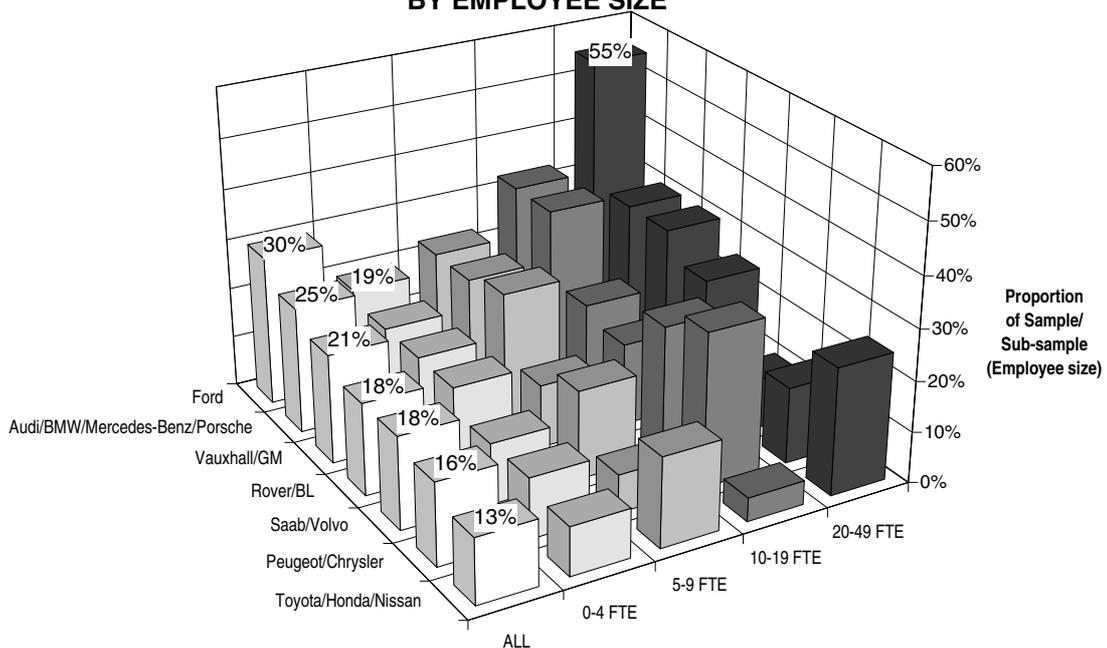
**MAKES OF CAR USED**

Inevitably, larger firms with larger fleets use a wider range of makes of car than smaller firms. For this reason, and because our figures reveal the percentage of respondents using one or more cars rather than the total number for each, it is

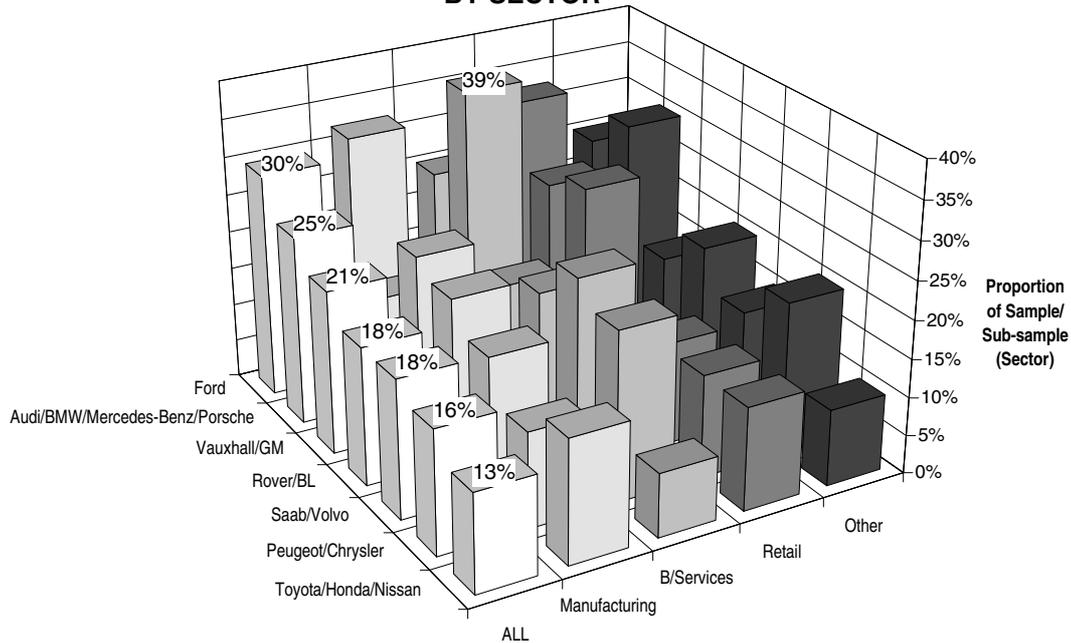
difficult to interpret comparisons with numbers of new registrations or sales by make in the total UK market (Figure 16).

The cars most frequently used by our respondents are Fords (especially as firms increase in size - see Figure 17), followed by up-market German makes,

**Fig 17 - PREFERENCE FOR CAR MANUFACTURERS (1 or more cars): BY EMPLOYEE SIZE**



**Fig 18 - PREFERENCE FOR CAR MANUFACTURERS (1 or more cars):  
BY SECTOR**



General Motors (excluding Saab), the Peugeot/Chrysler group, Japanese, Swedish and Rover.

One respondent used a Rolls Royce and one, as mentioned, used bicycles, illustrating the variety of circumstances confronting smaller firms.

Comparison with the new registration data in **Figure 16** suggests that higher-priced cars, and especially German and Swedish cars, are particularly popular among our respondents (**Figure 18**). This is consistent with respondents' comments on the economic advantages of higher-priced, low-depreciation cars. The figures suggest that the use of Volkswagen, Italian, and perhaps Japanese cars is less widespread among our respondents than might be expected, though the qualifications given above need to be borne in mind.

## RESPONDENTS' COMMENTS

All respondents' comments are shown overleaf, listed by industrial sector.

## MANUFACTURING

Bar Fitting. Shopfitting. Joinery Manufacturing	<i>"Tax on company cars should be abolished, i.e. personal tax."</i>
Cash Register Ribbons and Stationery	<i>"We never buy brand new cars, only cars over 1 year old - normally get massive discount plus save a lot on depreciation."</i>
Computer Hardware and Software	<i>"Financing vehicles is a minefield, but it is possible to find some very good schemes, which, incidentally, can be used to finance other assets, such as computers. The finance houses might do well to turn their attention to this."</i>
Equipment Maintenance. Garage Equipment Supply and Maintenance	<i>"Government agencies will not support the purchase of vehicles (company cars) which is unreasonable considering that they are an essential business tool."</i>
Joinery Manufacture, Windows, Doors	<i>"[Company vehicles are] Too heavily taxed. Requirements and records not always easy to access."</i>
Lace Manufacture	<i>"Recent changes to personal car benefit taxes mitigate against the sound economic sense for companies to use high value, low depreciation vehicles over extended periods of time and mileage."</i>
Manufacture & Repair of Propshafts	<i>"Too high taxation, therefore we privately own."</i>
Manufacture of Products for Fabric Protection/Cleaning	<i>"Let the train take the strain."</i>
Manufacturer of Laboratory Robotic Automation Systems	<i>"We feel as high mileage business car users (50,000+ miles per year), it is unfair that [the] taxation band ceases at 18,000 miles."</i>
Manufacturers of Imitation Food Models	<i>"Taxation of company cars has gone too far and is now a disincentive as to being neutral on ownership. Inland Revenue permitted mileage rates are unfairly low."</i>
Manufacturing Broom Clamps and Holders, Yard Scrapers	<i>"It will be dam hard work if the environmentalist[s] have their way and we have to return to a horse and cart for transportation !"</i>
Mechanical Installation and Maintenance Service	<i>"Names of drivers of our vans have to be named for tax purposes as being 'a perk' to employee use. This was, understandably, not readily accepted."</i>
Metal Polishing and Decorative Nickel/Chrome Plating	<i>"Car sales generate a lot of cash, which has knock on effect throughout. Heavily taxing company car perks has resulted in declining car sales. The small revenue increase cannot outweigh the wealth generation throughout the country."</i>
Pipe Supports for Oil Refineries, Power Stations, Processing Plants	<i>"Environmental issues are ignored; should taxation be relaxed for one year on cars that purify their fumes ?"</i>
Publishing	<i>"[Company vehicles are] Far too heavily taxed by government. It seems that government is hell bent on crucifying small firms - tax, etc., on cars is a prime example. The tax regimes are slanted against the high paid company executives unfortunately - poor, low paid, struggling-to-keep-people-in-jobs small firm directors get equally punished. Proportionately, of course, it is crippling to small firm directors."</i>

## MANUFACTURING continued

Publishing. Trade and Leisure magazines	<i>"Unless required for operations, cars as rewards should be avoided - [they are a] source of conflict !"</i>
Screen Printing	<i>"The cost of running and maintenance of cars is far too expensive as any balance sheet should show - perhaps less tax on petrol ?"</i>

## BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"As the Government moves towards increasing tax on the private element of company vehicles, I consider that the need for a vehicle as an essential asset is not fully appreciated."</i>
Accountancy, Taxation, Bookkeeping	<i>"Too many forms etc. to fill in nowadays, and tax and insurance to pay on company cars, hence we have taken them out of our business."</i>
Advertising Agency	<i>"In our case a company vehicle is a 'tool for the job', a necessity not a luxury, and therefore should not be penalised to the extent it is by the Inland Revenue."</i>
Architect	<i>"I think that the tax advantages of company cars do encourage their use - to the environment's detriment. [It's] Much better to encourage public transport and bicycles - but the rules for paying people back when they go by train are really stupid. For a partnership it makes business/financial sense to pay for your car via the practice."</i>
Architects	<i>"High tax !"</i>
Chartered Accountants	<i>"The number of tax breaks for scale charges based on business mileage should be increased - scale rates could also be applied to self-employed people not just companies and employees."</i>
Design Consultancy - mainly Packaging	<i>"A lot of emotional energy can be wasted by employees and employers in selecting cars. It is far more preferable that car allowances be paid leaving the employee free to decide on the shape, size, colour etc. and how often they change their car, and leaving the employer free to concentrate on running their core business and NOT a carfleet !"</i>
Executive Search Recruitment and Provision of Temporary Managers	<i>"Previously we had 4 company cars [but] once the remaining car reaches the end of its lease contract (3 years) all employees due a car will be on car allowance."</i>
Farm Management Consultancy	<i>"For most rural-based businesses the company car is a necessity not a 'perk'. We have no alternative means of transport and so our costs - to individuals and businesses - are increasing."</i>
Insurance Brokers	<i>"I am currently discussing with my accountants whether it is still tax efficient or if I should purchase cars personally."</i>
Legal and Debt Recovery Services	<i>"Taxed too heavily, VAT not recoverable but still charged. If the majority of companies ceased to run company cars the country would grind to a halt. The Government should realise this and stop 'milking'."</i>

## BUSINESS SERVICES continued

Office Space Planning and Supply of Furniture	<i>"We have cars that have done 100,000 miles in 15 months, yet the individual is taxed and the company pays NI [National Insurance] on the benefit when it is a necessity. A further band for cars that travel over 35,000 business miles without any liability should be introduced."</i>
Professional Chartered Accountants. Accounting, Audit, Taxation Advice	<i>"The tax structure on benefits in kind needs amending to place a lower burden on those using a car as a tool of the trade rather than a perk."</i>
Public Relations & Marketing Support Consultancy	<i>"The sooner we can return to the situation where a company car is NOT considered the right of any management position the better! Far better to pay employees well enough to provide their own transport."</i>
Textile Marketing	<i>"1) Tax policy on <b>older</b> luxury cars is unrealistic and unfair. 2) [It is our] Policy to keep car longer. There is something wrong with the system which permits the employee's wife almost exclusive use of the company car when she is not contributing to the company yet at the same time discourages the genuine use of a vehicle for legitimate use. My current company car is now nearly 10 years old and I would ideally change it every 3 years, but the tax regime currently actively discourages this. It may suit large companies but small companies with tighter budgets are using older vehicles for company business whilst many wives are running the children to school in the latest model Volvo! This cannot be right!"</i>

## RETAIL AND DISTRIBUTION

Factoring of Goods	<i>"I run a Saab and claim business mileage from the company. It is 8 years old and due for replacement."</i>
Floristry	<i>"Not sufficient allowance is given on tax or VAT for cars which are an essential part of one's business (as opposed to 'big business' perquisites)."</i>
Operating Public Houses	<i>"No company vehicles - none intended."</i>
Specialised Accessory Equipment to Process Industries	<i>"We are only buying new for high mileage cars (salesmen). Other executive cars are low mileage, nearly new."</i>
Supplier of Computer Systems for Business	<i>"I am very angry about Employer's NI [National Insurance] being applied. If there is [a] justification then employees' NI should be charged as well. If not, then neither should be charged. Is it because businesses do not have a vote?"</i>
Suppliers of Woodscrews, Adhesives, Fixings	<i>"The administration involved in recording mileages, fuel use etc., particularly for Class 1A National Insurance, is a growing burden small business could do without."</i>

## OTHER

Colour Cosmetic Products Manufacturer and Retailer	<i>"We are in London so have an account with ...[named companies], both of which deliver goods and/or people. Depending on circumstances we try to get our customers to pay for their deliveries."</i>
Landscaping & Sports Ground Contractors	<i>"Misconceptions as to the purchase of 'prestige' cars when the purpose is primarily functional (especially when business requirements cover high mileage). Presentational aspects are often lost on government agencies who are only now beginning to appreciate customer service and the need for good P.R."</i>
Plumbing & Heating Services	<i>"A company car is no longer a real perk and therefore shortly we will use our own cars and claim expenses etc. This works out to be of financial benefit especially if your car is of high value i.e. £20k+."</i>
Residential Care for People with Learning Difficulties	<i>"Running costs [are] very high. Inland Revenue could help more, with companies who are not VAT-registered."</i>
Shipping and Freight Forwarding	<i>"None of our vehicles travel 18,000 business miles, but all exceed 2,500. The tax [is] paid personally now, partly because of this ... and VAT payments by the company."</i>

**ADDENDUM - ADDITIONAL INFORMATION**

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector, region and employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

**Industrial sectors** - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution and 'other' bands.

**Regions** - firms are also classified according to their physical location, namely, North, Midlands and the South.

**Employee size** - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time

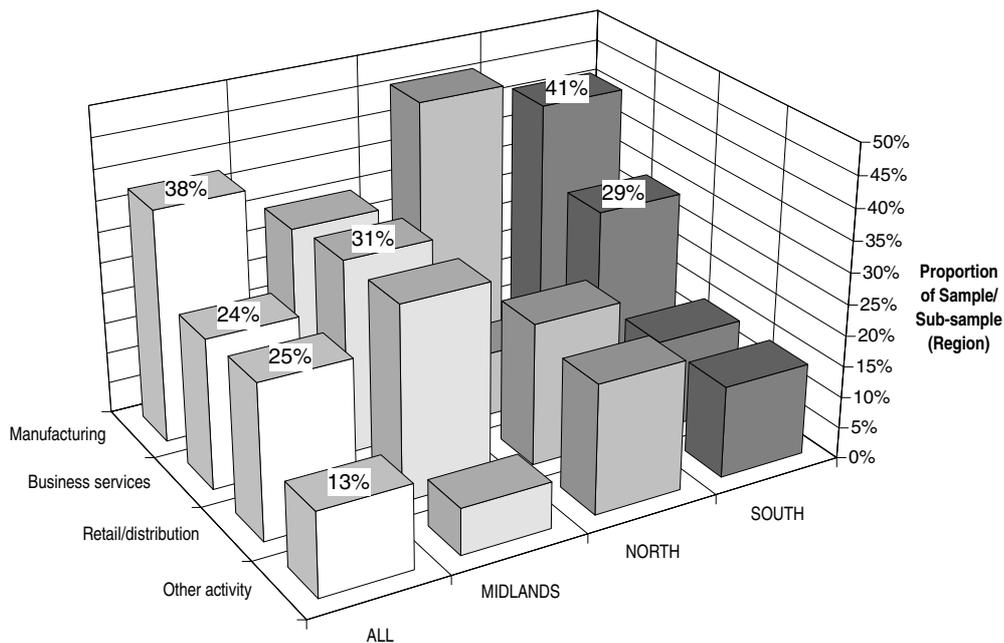
equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the sectoral and regional analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

**DISTRIBUTION OF FIRMS**

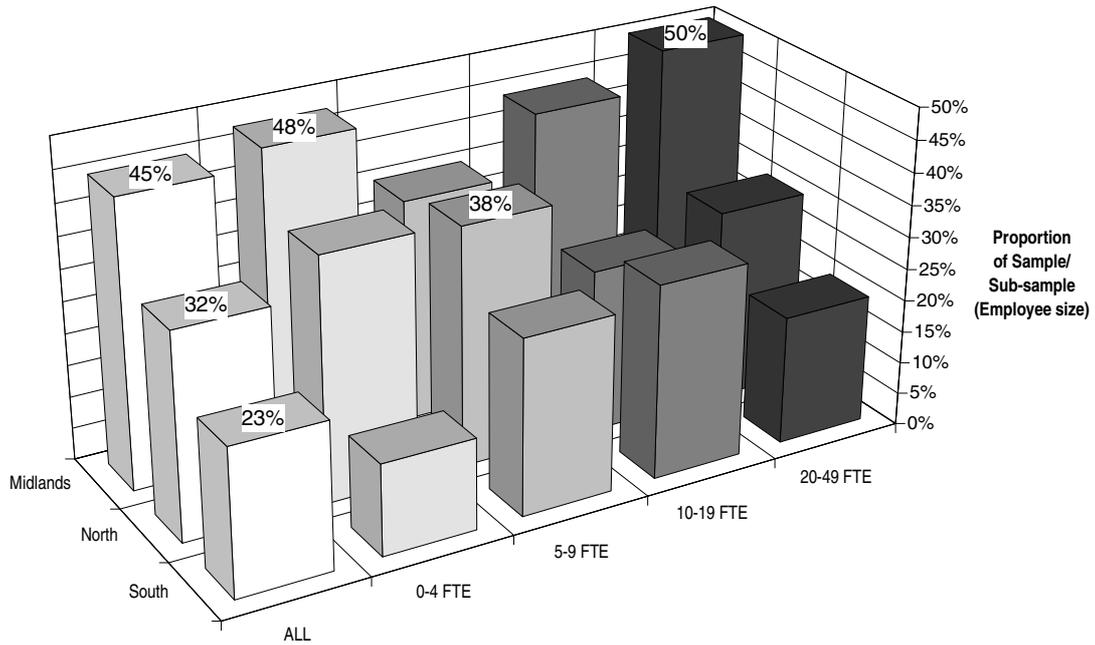
Similar to several previous surveys, the highest concentration is in manufacturing (38 per cent of the sample) compared to business services (24 per cent) - with another 25 per cent in retail/distribution (Figure 19).

Regionally, the bias towards firms engaged in **business services** in the **South** is less than before (29 per cent of the region's respondents, compared to 42 per cent in the survey 9 months previous). **Manufacturing** is the still most predominant sector in the **North**.

**Fig 19 - INDUSTRIAL SECTOR: BY REGION**



**Fig 20 - REGION: BY EMPLOYEE SIZE**

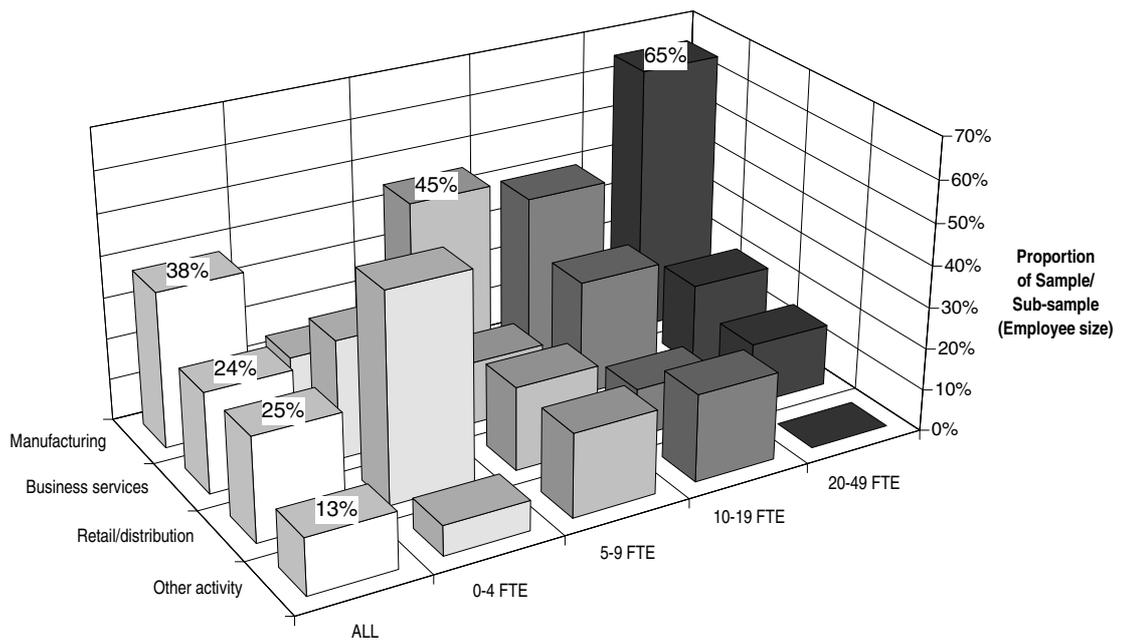


The sub-sample in the **Midlands** for this survey has less of the smaller businesses - 48% of the smallest firms in the sample - compared to 60% in the previous survey (see also Figure 20).

again to be **larger**, in terms of employees, whereas the **business services** and the firms in **retailing/ distribution** tend to have **fewer full-time equivalent employees** (Figure 21).

**Manufacturing** firms in the sample tend

**Fig 21 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE**





Lloyds Bank/Small Business Research Trust  
**Quarterly Small Business  
 Management Report - No.11**

This questionnaire will take approximately 5-10 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

## MANAGEMENT ISSUE: Company Vehicles

- 1** How many people work in your business (including yourself) ?
- Full-time: \_\_\_\_\_ :..... A
- Part-time (16 hours/wk or less): \_\_\_\_\_ :..... B

- 2** Number of vehicles - How many of each of the following types of vehicles does your business have (owns/leases/rents) for everyday use:
- Just one ✓ for each column*
- |                          | Cars                     | Vans                     | Lorries                    |
|--------------------------|--------------------------|--------------------------|----------------------------|
| None .....               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> A |
| 1 vehicle .....          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> B |
| 2-3.....                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> C |
| 4-5.....                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> D |
| 6-9.....                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> E |
| 10 vehicles or more..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> F |
|                          | 1                        | 2                        | 3                          |

- 3** Expenditure on vehicles - Ignoring depreciation, please estimate your **OVERALL** annual expenditure:
- Just ONE ✓ only*
- £0-£4,999 per annum on all vehicles .....  A
- £5,000-£9,999 p.a. ....  B
- £10,000-£49,999 p.a. ....  C
- £50,000-£99,999 p.a. ....  D
- £100,000-£249,999 p.a. ....  E
- £250,000-£499,999 p.a. ....  F
- £500,000 or more p.a. ....  G

- 4** Company cars - For the business in general, which do you feel is your main motivation for their acquisition:
- Just ONE ✓ only*
- Primarily for functional use .....  A
- Primarily as a reward/personal benefit.....  B
- Both of the above, evenly balanced.....  C
- Not applicable, e.g. company has no cars .....  D

**5**

**Vehicle financing - Which of the following methods do you most commonly use for vehicle acquisition:**

*✓ Against all which apply*

- Purchase outright - without external finance .....  A
- Purchase - but with 100% overdraft/loan .....  B
- Purchase - internal/external finance combined.....  C
- Hire purchase .....  D
- Lease/lease purchase arrangement.....  E

**6**

**Replacement of vehicles - How soon after initial acquisition do normally replace company vehicles ?:**

*Just one ✓ for each column*

	<i>Cars</i>	<i>Vans</i>	<i>Lorries</i>
Within 12 months.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> A
1-3 years .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> B
3-5 years .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> C
5-8 years .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> D
8 years or longer.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> E
Not applicable.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> F
	1	2	3

**7**

**Car manufacturers - Please indicate if your business owns/leases/rents one or more CARS produced by the following:**

*✓ Against all which apply*

- |                                     |                            |                           |                            |
|-------------------------------------|----------------------------|---------------------------|----------------------------|
| Alfa Romeo/Fiat/Lancia.....         | <input type="checkbox"/> A | Rolls-Royce/Bentley ..... | <input type="checkbox"/> G |
| Audi/BMW/Mercedes-Benz/Porsche..... | <input type="checkbox"/> B | Rover/BL.....             | <input type="checkbox"/> H |
| Ford.....                           | <input type="checkbox"/> C | Saab/Volvo .....          | <input type="checkbox"/> I |
| Jaguar .....                        | <input type="checkbox"/> D | Toyota/Honda/Nissan.....  | <input type="checkbox"/> J |
| Peugeot/Chrysler .....              | <input type="checkbox"/> E | Vauxhall/GM .....         | <input type="checkbox"/> K |
| Renault.....                        | <input type="checkbox"/> F | Volkswagen .....          | <input type="checkbox"/> L |
|                                     |                            | Other (please state):     | <input type="checkbox"/> M |

**8**

**Company vehicles - If you have any strong views about them, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services), then please comment**

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