

Company Electric Car Tax

The complete guide to company electric car tax, covering what a company and employee need to contribute and how it is calculated.

Summary

Company car tax, officially known as Benefit in Kind Tax (BiK), is calculated based on the P11D value of the vehicle, its CO₂ tailpipe emissions and the employee's income tax band.

- At present, you can make significant savings by choosing a low or zero emissions plug-in vehicle over an equivalent petrol or diesel vehicle.
- By April 2020, savings on pure battery and efficient plug-in hybrid electric vehicles will increase dramatically.
- The BiK tax rate is set by HM Treasury.

What is Company Car/Benefit in Kind Tax?

Company car tax is a tax on the "Benefit in Kind" that an employee is receiving through the provision of a car for their personal use.

Benefit in Kind (BiK)

When a car is provided for an employee by their employer that is available for personal use, the employee must pay some tax on the effective benefit that they receive for this.

HM Treasury calculates how much benefit they receive, based on the car's "P11D" value (see below), compared to just receiving an equivalent amount in pre-income tax pay and then applies a BiK tax rate.

The government can set BiK rates to encourage employers and company car drivers to choose vehicles with lower CO₂ emissions like pure electric cars or plug-in hybrids.

P11D Value

Named after a form filed by employers and sent to the tax office with which their Pay as You Earn scheme is registered, the P11D value of a car is comprised of:

- Vehicle list price
- Optional extras
- Delivery fees
- Value Added Tax (VAT)

Employer's National Insurance

As well as the employee paying BiK tax on their car, the employer must also pay employer's national insurance on the car's BiK value, this is currently set at [13.8%](#).

Tip: Please note this guide is referring to Benefit in Kind taxation on the cost of a company electric car. BiK is also relevant to electricity provided to charge employees' vehicles at the workplace, although this is currently exempt (rated at 0%).

Benefit in Kind (BiK) rates as incentive for electric vehicle (EV) uptake

With circa 50% of new cars obtained by companies, and because BiK makes a significant difference to an individual's monthly wages, BiK represents a very potent lever available to government to encourage adoption of the lowest emitting vehicles.

- In late 2016, following consultation, HM Treasury announced their intent to strongly incentivise full battery electric vehicles (BEVs) using these rates. Offering a more modest incentive on plug-in hybrid electric vehicles.
- There has been a 3 year delay on the emergence of these preferential rates and the policy from 2017 to 2020 actually sees a large increase, effectively disincentivizing low emissions vehicle uptake before a drop back to a notably lower rate in 2020.
- This incentivises companies and employees to delay purchasing BEVs until then, something that is likely to negatively affect BEV uptake in the interim. This situation will be resolved from April 1st 2020 when the new lower rates become effective.

Tip: As of September 2018, electricity is recognised as a fuel by HMRC, and advisory fuel rates published at a recommended reimbursement cost of 4p per mile (for pure electric vehicles only - hybrids have AFR rates equivalent to petrol/diesel vehicles).

Benefit in Kind (BiK) rates for EVs

The tables below show the percentage BiK rates, depending on vehicle CO₂ emissions from conventional fuel (only >0 for plug-in hybrid electric cars). The table represents electric, petrol and diesel related BiK rates.

Vehicle CO ₂ emissions	BiK rate (Electric, Petrol, RDE2 Diesel)		
	2018-19	2019-20	2020-21
0 g/km	13%	16%	2%
1-50 g/km (electric range >130 miles)	13%	16%	2%
1-50 g/km (electric range 70-129 miles)	13%	16%	5%
1-50 g/km (electric range 40-69 miles)	13%	16%	8%
1-50 g/km (electric range 30-39 miles)	13%	16%	12%
1-50 g/km (electric range <30 miles)	13%	16%	14%
51-54 g/km	16%	19%	15%
55-59 g/km	16%	19%	16%
60-64 g/km	16%	19%	17%

Vehicle CO ₂ emissions	BiK rate (Electric, Petrol, RDE2 Diesel)		
	2018-19	2019-20	2020-21
65-69 g/km	16%	19%	18%
70-74 g/km	16%	19%	19%
75 g/km	16%	19%	20%
76-79 g/km	19%	22%	20%
80-84 g/km	19%	22%	21%
85-89 g/km	19%	22%	22%
90-94 g/km	19%	22%	23%
95-99 g/km	20%	23%	24%
100 g/km	21%	24%	25%
101-104 g/km	21%	24%	25%
105-109 g/km	22%	25%	26%

Note: you should add 4% up to a maximum of 37% for diesel cars that are not certified to the Real Driving Emissions 2 (RDE2) standard.

Tip: The electric range mentioned in the 1-50 g/km column is based on the “NEDC” calculation, which is typically more generous than other measures of electric range.

How Benefit in Kind (BiK) Tax is calculated

BiK is taxed according to your income tax banding. In order to work out the BiK tax an employee has to pay, you need to calculate the value of the benefit in kind:

P11D value x BiK rate = BiK value

Worked example until 5th April 2019

A new Nissan LEAF Visia 40kWh has a P11D value of £27,235 and (as a BEV) emits 0g/km of CO₂, putting it in the 13% BiK rate (percentage banding based on its CO₂ emissions).

Therefore, the BiK value is £27,235 x 13% = £3,540.55

To get the amount your company car will cost you in tax per year, you then multiply the BiK value by your income tax banding (20-45%):

- £3,540.55 x 20% = £708.11 per year / £59.01 per month
- £3,540.55 x 40% = £1,416.22 per year / £118.02 per month
- £3,540.55 x 45% = £1,593.25 per year / £132.77 per month

Worked example from 6th April 2019- 5th April 2020

The BiK value will be £27,235 x 16% = £4,357.60

- £4,357.60 x 20% = £871.52 per year / £72.63 per month
- £4,357.60 x 40% = £1,743.04 per year / £145.25 per month

- $£4,357.60 \times 45\% = £1,960.92$ per year / $£163.41$ per month

Worked example from April 2020

The BiK value will be $£27,235 \times 2\% = £544.70$

- $£544.70 \times 20\% = £108.94$ per year / $£9.07$ per month
- $£544.70 \times 40\% = £217.88$ per year / $£18.16$ per month
- $£544.70 \times 45\% = £245.12$ per year / $£20.43$ per month

It is clear that the difference BiK rates make for employees is very significant for electric cars, but it becomes even more striking when you compare the post April 2020 competitive rates with a conventionally fuelled equivalent.

Comparison of ICE vs BEV Saloon for Executive from April 2020

Vehicle	Tesla Model S 100D	Mercedes S 450 L AMG Line
P11D Value (based on list prices on car configurators)	£95,050	£88,685
0-60 mph	4.1 seconds	5.1 seconds
Emissions	0 gCO ₂ /km	169 gCO ₂ /km
BiK Rate	2%	37%
	£95,050	£88,685
Monthly BiK cost @40% tax rate	$\times 2\% \times 40\% / 12$	$\times 37\% \times 40\% / 12$
	£63.37 per month	£1,093.78 per month

Which Vehicle would you choose?

Tip: BiK calculations are non-trivial. The above figures are indicative and give a feel for the values. However, we recommend calculating your own figures inline with your earnings by using the [HMRC's company car and car fuel benefit calculator](#).