



# Company Car Tax September 2022

Our updated guide to Company Car Tax for fleet decision-makers following the Government's September 2022 Fiscal Statement



## Introduction

In his Fiscal Statement on September 23, the Chancellor Kwasi Kwarteng introduced a number of tax cuts aimed at addressing the rising cost of living and delivering future growth.

In his 'plan for growth' he carried through the Prime Minister's pledge to reverse the National Insurance and dividend tax increases that were implemented in the Spring to help fund social care reforms. In a surprise move, he will also abolish the 45% additional rate of income tax from

April 2023 and bring forward the 1% cut to basic rate tax to next April, a year earlier than originally planned.

As expected, no developments in company car tax rates or fuel duty were announced, although a more comprehensive Budget will take place before the end of the year. For now, Benefit-in-Kind (BIK) tax percentages for company cars are fixed until March 2025. For drivers of 100% electric cars the rate is just 2% of taxable value, underlining the

reduced cost incentives for selecting zero emission models.

It helps explain why, In August 2022, EV registrations in the UK were over 35% up on the same period in 2021, while registrations for plug-in hybrids (PHEV) declined by over 23% (Source: SMMT, August 2022).

This updated Alphabet Guide to Company Car Tax offers explanations and guidance on developments following the Fiscal Statement.



# Vehicle Excise Duty

Vehicle Excise Duty (VED) rates for 2022/23 are subject to a Retail Price Index-based rise, shown in the tables (right).

Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to increased first-year rates, unless they are already in the highest band. Cars priced at over £40,000 with zero emissions of CO<sub>2</sub> when driving are exempt from the additional rate until 31 March 2025.

**First-year rate:** Applicable to all cars registered after 01 April 2018, with increased rates for non-RDE2-compliant diesels

**Standard rate (yr2 onwards):** £165 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price of £40,000 or less

**Additional rate (yr2 onwards for five years):** £520 – cars with CO<sub>2</sub> emissions of 1g/km or more with a list price over £40,000

## Vehicle Excise Duty: cars registered on or after 01 April 2017

2022/23				
CO <sub>2</sub> emissions (g/km)	First year rate (compared with 2021/22)	First year rate for diesel cars (compared with 2021/22) <sup>1</sup>	Standard rate (Yr2 on for cars with list price of £40,000 or less) <sup>2</sup>	Additional rate (Yr2 on for cars with list price of over £40,000) <sup>3</sup>
0	£0 (+£0)	£0 (+£0)	£0	£0
1-50	£10 (+£0)	£25 (+£0)	£165 (+£10)	£520 (+£30)
51-75	£25 (+£0)	£115 (+£5)	£165 (+£10)	£520 (+£30)
76-90	£120 (+£5)	£150 (+£10)	£165 (+£10)	£520 (+£30)
91-100	£150 (+£10)	£170 (+£10)	£165 (+£10)	£520 (+£30)
101-110	£170 (+£10)	£190 (+£10)	£165 (+£10)	£520 (+£30)
111-130	£190 (+£10)	£230 (+£10)	£165 (+£10)	£520 (+£30)
131-150	£230 (+£10)	£585 (+£30)	£165 (+£10)	£520 (+£30)
151-170	£585 (+£30)	£945 (+£50)	£165 (+£10)	£520 (+£30)
171-190	£945 (+£50)	£1,420 (+£75)	£165 (+£10)	£520 (+£30)
191-225	£1,420 (+£75)	£2,015 (+£105)	£165 (+£10)	£520 (+£30)
226-255	£2,015 (+£105)	£2,365 (+£120)	£165 (+£10)	£520 (+£30)
Over 255	£2,365 (+£120)	£2,365 (+£120)	£165 (+£10)	£520 (+£30)

<sup>1</sup> Applies to diesel vehicles that do not meet the Real Driving Emissions Step 2 (RDE2) standard. <sup>2</sup> Alternative fuel vehicle, including hybrids, bioethanol and LPG, pay £155 a year. <sup>3</sup> Cars with a list price over £40,000, except those with zero emissions of CO<sub>2</sub> when driving, pay an additional rate of £355 a year on top of the standard rate for five years. 2022/23 rates apply from 01 April 2022

## Vehicle Excise Duty: rates for cars registered on or after 01 March 2001

VED band	CO <sub>2</sub> emissions (g/km)	2022/23 standard rate (increment over 2021/22)
A	Up to 100	£0 (+£0)
B	101-110	£20 (+£0)
C	111-120	£30 (+£0)
D	121-130	£135 (+£5)
E	131-140	£165 (+£10)
F	141-150	£180 (+£10)
G	151-165	£220 (+£10)
H	166-175	£265 (+£15)
I	176-185	£290 (+£15)
J	186-200	£330 (+£15)
K <sup>1</sup>	201-225	£360 (+£20)
L	226-255	£615 (+£30)
M	Over 255	£630 (+£30)

<sup>1</sup> Figures in brackets show comparison with 2021/22. Includes cars emitting over 225g/km registered before 23 March 2006. 2022/23 rates apply from 01 April 2022



# Company Car Tax

Company car Benefit-in-Kind (BIK) tax is based on a car's P11D price, emissions of CO<sub>2</sub> and the driver's marginal tax rate. The Fiscal Statement announced the basic rate of income tax would be cut from 20% to 19% from April 2023, with the 45% higher rate abolished. The appropriate BIK tax percentages are shown in the table opposite and apply until 31 March 2025.

Drivers of cars with zero emissions of CO<sub>2</sub> when driving, such as battery-electric vehicles (BEV), are subject to BIK tax based on 2% of P11D value.

For cars with CO<sub>2</sub> emissions of 1-50g/km, for example Plug-in Hybrids, the number of miles they can drive with zero emissions of CO<sub>2</sub> has a significant bearing on tax liabilities with percentages calculated according to their zero CO<sub>2</sub> emissions range.

For diesels that do not meet the Real Driving Emissions Step 2 (RDE2) standard, a 4% tax charge applies (shown in brackets).

CO<sub>2</sub> emissions information for all cars is available from the Vehicle Certification Agency at [www.vehicle-certification-agency.gov.uk](http://www.vehicle-certification-agency.gov.uk)

## Taxable percentages of P11D value: all company cars

WLTP CO <sub>2</sub> emissions (g/km)	Zero CO <sub>2</sub> emissions range <sup>1</sup>	2022 – 2025
		BIK % 2022 – 2025 <sup>2</sup>
0	All	2
1-50	Over 130	2 (6)
1-50	70-129	5 (9)
1-50	40-69	8 (12)
1-50	30-39	12 (16)
1-50	Up to 30	14 (18)
51-54	-	15 (19)
55-59	-	16 (20)
60-64	-	17 (21)
65-69	-	18 (22)
70-74	-	19 (23)
75-79	-	20 (24)
80-84	-	21 (25)
85-89	-	22 (26)
90-94	-	23 (27)
95-99	-	24 (28)
100-104	-	25 (29)
105-109	-	26 (30)
110-114	-	27 (31)
115-119	-	28 (32)
120-124	-	29 (33)
125-129	-	30 (34)
130-134	-	31 (35)
135-139	-	32 (36)
140-144	-	33 (37)
145-149	-	34 (37)
150-154	-	35 (37)
155-159	-	36 (37)
160+	-	37 (37)

Source: HMRC. Figures in brackets apply to diesels. Diesel hybrids and diesel cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the tax charge. <sup>1</sup> In miles when driving. <sup>2</sup> Rates apply until 31 March 2025



# Capital Allowances

Company cars bought outright are eligible for write-down allowances, where capital outlay can be offset against tax. The allowance threshold between the 18% main and 6% special rates is based on CO<sub>2</sub> emissions, set at 50g/km from April 2022. For cars with CO<sub>2</sub> emissions of 1-50g/km, the capital allowance is 18% a year, while for cars with CO<sub>2</sub> emissions of 51g/km or more it is 6%.

## 100% first year allowance

A 100% first-year allowance (FYA) applies to cars with zero emissions

of CO<sub>2</sub> until April 2025, but leasing companies are excluded. A 100% FYA is also available until 31 March 2023 for companies investing in electric vehicle charge points in the workplace. Electric vans with zero emissions of CO<sub>2</sub> when driving are also eligible for a 100% FYA until 31 March 2025 provided the Plug-in Van Grant (PiVG) has not also been claimed. All other vans are eligible for an 18% annual allowance.

A 130% capital allowance 'super deduction', effective until 31 March 2023 and again excluding leasing companies, applies in the first year to

**outright purchase expenditure** on new main pool items, such as vans and charging equipment but excluding company cars, although leasing companies are excluded.

## Lease rental restriction

Lease rentals can be offset against tax, with the threshold set (as with the special rate capital allowances) at 50g/km of CO<sub>2</sub>. New cars with CO<sub>2</sub> emissions of 50g/km or less are eligible for 100% of rentals to be offset, while 85% is claimable for cars with CO<sub>2</sub> emissions of 51g/km or more.



# Fuel Allowances

## The private fuel benefit

BIK tax is payable by drivers receiving employer-provided private fuel (petrol and diesel, including hybrids) for private mileage in a company car. To calculate the tax, the Government Fuel Benefit Charge (FBC) is used, set at £25,300 in 2022/23. As electricity is not classed as a fuel, there is no scale charge for 100% electric cars and no BIK tax is due.

## Example: calculating BIK tax due on private fuel

A BMW 320i M Sport has CO<sub>2</sub> emissions of 147g/km giving a BIK tax percentage of 34% in 2022/23. Its WLTP combined fuel consumption figure is 43.5mpg. £25,300 x 34% gives a taxable value of £8,602. Multiplied by the driver's income tax rate, it derives annual tax of

£8,602 x 20% = £1,720, or £8,602 x 40% = £3,441. With the average price of unleaded petrol at £7.91/gal or £1.74/litre (September 2022), £1,720 will buy around 217 gallons (986 litres) for a 20% tax payer; for a 40% tax payer, it is around 435 gallons (1,978 litres). Multiplying by the BMW 320i M Sport's combined fuel consumption of 43.5mpg gives 9,440 miles for a 20% tax payer, or 18,923 miles for a 40% tax payer.

If private mileage is less than the calculated figure, drivers are better off paying for the fuel themselves as it will cost less than the tax payable on the benefit of 'free' fuel. If it is greater, they are better off paying the tax. It can be seen that, owing to the large private mileages needed to 'break even', adopting a system where drivers

reimburse the employer for private mileage will likely cut your fleet fuel costs, on the basis that Class 1A NIC will also be payable on the value of the fuel card benefit.

## Personal car used for business mileage

The HMRC-approved tax-free amounts (AMAPs) claimable by a driver using his/her own car for business mileage are shown below.

Approved Mileage Allowance Payment (AMAP) rates 2022/23	
All cars and vans	
Up to 10,000 miles	Over 10,000 miles
45p	25p



# Class 1A National Insurance Contributions

Class 1A NICs are payable by the employer on the company car benefit and employer-provided 'free' fuel for private use.

From April 2022 Class 1A NIC rates rose by 1.25% – from 13.8% to 15.05% – with the introduction of the Health and Social Care Levy. However, the Fiscal Statement announced that, from November 2022, the additional NIC rate will be abolished. For hybrids, the zero-emission

mileage the car can travel affects NIC payable in the same way as for BIK tax. 100% electric cars are NIC-exempt in 2022/23.

## Class 1A NIC – petrol, diesel and hybrid cars

A BMW 330e M Sport Plug-in Hybrid, with a P11D price of £44,710 and WLTP CO<sub>2</sub> emissions of 36g/km, has a tax percentage of 12% in 2022/23. £44,710 x 12% gives a taxable value of £5,365. Multiplying by

15.05% derives annual Class 1A NIC of £807, although this reduces to £740 in November 2022 with the removal of the additional NIC rate.

## Class 1A NIC – private fuel (petrol, diesel and hybrid cars)

For private fuel, the Fuel Benefit Charge of £25,300 applies. Multiplying by the 12% tax charge gives a taxable value of £3,036 and then again by 15.05% gives Class 1A NIC of £457, reducing to £419 in November 2022.



# Commercial Vehicles

## Company owned vans: BIK tax

Zero emissions vans are exempt from BIK tax in 2022/23. In 2022/23 the Van Benefit Charge (VBC) for drivers of company vans using their vehicles for private mileage is set at £3,600, and the VBC for fuel for private use is set at £688. If no private mileage is incurred, no BIK tax is payable.

	2022/23
<b>Monthly BIK tax (ex fuel)</b>	£60.00/£120.00
<b>Monthly BIK tax (inc fuel)</b>	£71.47/£142.93

Figures shown for 20%/40% tax payers

## Company owned vans: Class 1A NIC

Zero emission vans are exempt from annual Class 1A National Insurance Contributions in 2022/23. For other vans, NICs are based on the Van Benefit Charge – £3,600. The amounts due are calculated by multiplying the VBC by 15.05%, with the rates shown below.

	2022/23
<b>Annual Class 1A NIC (ex fuel)</b>	£542.00
<b>Annual Class 1A NIC (inc fuel)</b>	£645.00

## Company owned vans: Vehicle Excise Duty

VED rates for vans in 2022/23 are shown below. The consultation on reforming VED to incentivise drivers to make the cleanest choice of a new van closed in September 2020, although no further detail has yet been released.

	2022/23
<b>Euro 4 and 5 vans registered after 01 March 2001</b>	£140
<b>All other vans registered on or after 01 March 2001</b>	£290

2022/23 rates apply from 01 April 2022





## Plug-in Grants

The Government Plug-in Car Grant of up to £2,500 is available only to wheelchair accessible vehicles priced up to £35,000\* with zero CO<sub>2</sub> tailpipe emissions and a zero-emission range of at least 70 miles.

**Plug-in Grant-eligible motorcycles:** Motorcycles priced up to £10,000, with zero CO<sub>2</sub> tailpipe emissions and a range of at least 31 miles, are eligible for a maximum grant of £500.

**Plug-in Grant-eligible mopeds or scooters:** Mopeds or scooters costing up to £10,000, with zero CO<sub>2</sub> tailpipe emissions and a range of at least 19 miles are eligible for a maximum grant of £150.

**Plug-in Van Grant extended and criteria changed:** The Budget stated that Plug-in Van and Truck Grant availability is extended for two extra

years until 2024/25. On 01 April 2022, the threshold for the small truck grant of up to £16,000 increased from 3.5t to 4.25t GVW, and vans up to 4.25t are eligible for a grant of £5,000. Drivers with a standard car licence can also drive electric vans up to 4.25t, compared with 3.5t for diesel vans.

**Vans:** Vans under 2.5t GVW with CO<sub>2</sub> emissions of 50g/km or less and a zero-emission range of at least 60 miles receive a grant of up to £2,500. Vans of 2.5-4.25t GVW receive a grant of up to £5,000. Grants are limited to 1,000 per customer per year and exclude leasing companies. Click [here](#) for more information.

For N2 commercial vehicles of 4.25-12.0t GVW, CO<sub>2</sub> emissions of at least 50% less than the equivalent conventional Euro VI vehicle and

the same load capacity, and which can travel at least 60 miles with zero emissions, the grant is up to £16,000.

**Workplace Charging Scheme:** The WCS reduces the cost of a new workplace charging station by 75%, capped at £350 per socket.

**Electric Vehicle Chargepoint Grant:** The EV Chargepoint Grant has replaced the Electric Vehicle Homecharge Scheme (EVHS) and is open to people living in flats (including those with mortgages) and rental accommodation.

Those in single-unit properties such as bungalows and detached, semi-detached or terraced housing are no longer eligible for the grant. Click [here](#) for further details.

\*The definition of recommended retail price includes VAT (including VAT reclaimable by a business) vehicle manufacturer or dealer's mandatory extras including delivery charges or administration fees, the battery cost (including where the battery is leased), any non-standard option fitted by the manufacturer or dealer affecting the capacity of the battery, drivetrain configuration or maximum net power, and excludes any non-standard option fitted by the manufacturer or dealer which does not affect the capacity of the battery, drivetrain configuration or maximum net power, modifications such as 'police packs', ambulance/fire engine modifications, modifications for disabled users, including WAV conversions, warranty/insurance and service packages etc, first registration fee and cost of first-year VED and any discounts (including rebates). **UK model specifications may vary**



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