



FAQ

Tell me more about electric cars

Electric Cars

The government provides tax incentives to encourage limited company owners to have EV's (electric vehicles) as company cars rather than petrol or diesel.

Some tax advantages also apply to hybrid vehicles although their tax efficiency depends upon their electric range and are not considered here.

IMPORTANT - The information below is for general guidance only so we recommend you speak to us before you sign any leasing contracts so that we can tailor our advice to your particular circumstances.

Tax implications for the individual

The EV is available for private use (includes commuting to and from your normal place of work): The details will need to be declared on the individual's P11D return. The employee will be subject to income tax (payable by the employee).

Example: Linda was given a fully electric car with a list price including accessories of £45,190.99 on 20th June 2022.

EV's have a benefit in kind (BIK) rate of 2% of the list price for 2022-23 tax year. At the time of writing, the benefit in kind rate is intended to gradually rise to 5% from 2027-28 so still very low. Most traditional petrol and diesel cars attract a rate of up to 37%.

The car benefit charge for the whole year: $£45,190.99 \times 2\% = £903.82$. Since the car was available from 20th June until the end of the tax year, the car was unavailable for 75 days of the tax year. The deduction would need to be made for this: $£903.82 \times 75/365 = £185.72$. The car benefit tax charge: £718.10 for the tax year 2022-23.

The employee will pay tax at a rate of 20/40/45% depending on their income tax rate (usually collected through PAYE). For example: if Linda was a higher rate band taxpayer she would pay tax of £287.24 tax ($£718.10 \times 40\%$) in 22/23.

The vehicle is not available for private use: If the vehicle is not available for private use or it qualifies as a pool car then no Benefit in Kind (BIK) charge will apply. However, there are very limited circumstances where this will apply so, please make sure you speak to us first if you believe a benefit in kind charge should not apply. There are also exemptions available for disabled employees, emergency vehicles or where the vehicle is used in a private hire business.

Tax implications for the limited company

Expenses you can claim

Maintenance, insurance, road fund license and other running costs of the company EV can be paid for by the limited company (but see below regarding electricity).

The employer can install workplace charging facilities and the company can pay for those facilities and for the electricity used to charge the vehicle without tax issues for the employee, providing they are available to all employees.

