

Electric vehicles

The tax breaks

2022/23

If you provide your employees with company cars or company vans, or if your employees use their own vehicles for work, you may wish to consider switching to electric vehicles to take advantage of some of the tax breaks that are on offer.

The Government are keen for employers and employees to make green choices and are providing tax incentives to those who do.

Company cars

If you provide an employee with a company car that is available for the employee's private use, the employee is taxed on the resulting benefit.

The amount charged to tax depends, predominantly, on the list price of the car and the level of its CO2 emissions.

To encourage drivers to adopt low-emission cars, drivers of electric and low emission cars pay less tax than those choosing higher emission models.

Drivers of diesel cars not meeting the RDE2 emissions standard pay an additional supplement.

For 2022/23, the amount that is charged to tax in respect of an electric company car is 2% of the list price of the car and optional accessories (as reduced by capital contributions of up to £5,000). The taxable amount is adjusted to reflect certain periods of unavailability and any contributions for private use.

The low charge means that an electric company car is a very tax-efficient benefit.

For example, the taxable amount for electric car with a list price of £30,000 is set at only £600 for 2022/23. Consequently, a basic rate taxpayer would only pay £120 in tax for the benefit of having an electric company car available for their private use throughout 2022/23. For a higher rate taxpayer, the tax hit is only £240.

As an employer, you would pay Class 1A National Insurance contributions on the total, taxable benefits paid to employees.

For 2022/23, these are payable at the rate of 15.05%. Consequently, the lower the benefit tax

charge for employees, the lower your associated Class 1A National Insurance bill.

Also, you can claim a 100% first-year capital allowance for any new and unused electric cars that you purchase.

Car fuel benefit charges

HMRC do not regard electricity as a 'fuel' for the purposes of the fuel benefit charge.

Consequently, if you provide or meet the cost of electricity for an employee's private mileage in an electric company car, the employee will not be taxed on that provision, and there is no Class 1A for you to pay.

If an employee with a company car meets the cost of electricity for business journeys, you can make a mileage payment tax free as long as the amount paid is not more than the advisory fuel rate at that time. Currently, a payment of 5 pence per mile can be made tax-free.

Compare this to company car drivers of hybrid or petrol/diesel fuelled vehicles who could be paying a significant, additional tax charge if their employer meets private fuel costs.

Workplace charging

A tax exemption applies if you provide electric charging facilities which can be used by employees to charge their cars.

The exemption applies when the charging facilities are used by an employee to charge their own car or a car in which they are a passenger (for example, a car used to give an employee a lift to work).

The exemption is not relevant to company cars – charging costs are a connected cost of providing the car and are subject to a separate exemption.

The exemption only applies to charging facilities that are provided at or near the workplace and which are available to your employees generally. It does not apply if you reimburse an employee for the cost of charging their vehicle away from the workplace.

We have used reasonable care and skill in assembling the information in this update. However, the information presented cannot be tailored to personal circumstances or particular situations. There may also be factors relevant to you which fall outside the scope of this publication. Accordingly, the material presented does not constitute personal or business advice. You should not rely solely on this update to make (or refrain from making) any decision or take (or refrain from taking) any action.

Company vans

A tax charge arises under the benefit-in-kind rules if a company van is available to an employee for their unrestricted private use. No charge arises if private use is restricted to home to work travel.

There is no tax charge if an employee has unrestricted private use of an electric company van. By contrast, the amount charged to tax for 2022/23 for a van other than an electric van is £3,600. Choosing an electric company van will save an employee paying tax at the basic rate £720 in tax and an employee paying tax at the higher rate £1,440 in tax.

Employers will also save Class 1A National Insurance of £541.80.

As with company cars, electricity is not regarded as a 'fuel' for the purposes of the fuel scale charge. Consequently, if you meet the cost of electricity for unrestricted private mileage in a company van, there is no associated fuel benefit charge.

We can help

As the infrastructure for recharging electric vehicles is expanded, and with our aims to meet climate change obligations, the tax incentives set out above are the icing on the cake.

If you are considering your options and need advice on the tax benefits, please call.

We can help you formulate a tax-efficient company vehicle policy and explain the tax implications of your vehicle choices.

We have used reasonable care and skill in assembling the information in this update. However, the information presented cannot be tailored to personal circumstances or particular situations. There may also be factors relevant to you which fall outside the scope of this publication. Accordingly, the material presented does not constitute personal or business advice. You should not rely solely on this update to make (or refrain from making) any decision or take (or refrain from taking) any action.
