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a fresh look at accountancy

Greener business motoring

The introduction of new emissions tests in April 2020 will have implications for company car tax. In addition, benefit rates will be fine-tuned to better reflect electric power and could significantly impact on business motoring costs. Here, we outline some of the changes.

New emissions test standards

The introduction of the Worldwide harmonised Light vehicle Test Procedure (WLTP) in April 2020 is an important part of the government's shift to greener motoring. The WLTP is more accurate than the New European Driving Cycle (NEDC) test it is replacing, so car manufacturers expect it to show higher vehicle carbon dioxide (CO_2) emissions. However, for cars registered before 6 April 2020, the NEDC test will still be used.

Green benefit-in-kind rates

Company cars are generally taxed as a benefit-in-kind (BiK) by multiplying the list price of the car, including most accessories, by the 'appropriate percentage'. This percentage is set by reference to the car's fuel type and level of CO_2 emissions.

Employees and directors pay tax on the provision of a company car, as well as on the provision of fuel for private mileage. Employers pay Class 1A national insurance contributions (NICs) at 13.8% on the same amount.

The government carried out a review into the impact of the WLTP on company car tax generally, and has announced that for most company cars registered after 5 April 2020 car rates will be reduced by two percentage points for 2020/21 from the rates previously announced for that year. Additionally, to accelerate the shift to zero-emission cars, all zero-emission models, regardless of when they were registered, will be subject to a 0% rate. Thus drivers of these cars will pay no company car tax in 2020/21. Both these rates will rise by a single percentage point in each of the following two tax years.

In addition, the government will reduce the percentages which apply to lower emissions cars and introduce new performance-related bands for hybrid vehicles with emissions up to 50 g/km depending on how far the hybrid vehicle can travel under electric power.

Other than the BiK percentage charge for zero-emissions cars, the BiK percentages for cars registered before 6 April 2020 will remain unchanged from the Finance (No.2) Act 2017 and are frozen for 2021/22 and 2022/23. For cars registered from 6 April 2020, the percentages increase by one percentage point in 2021/22 and 2022/23. With rates set in advance, employers are in a position to plan ahead to anticipate any future cost increases. As a result, employers may want to review their business motoring needs to identify any opportunities where it may be possible to save tax.

Those looking to purchase a new vehicle should take these changes into account and be aware that there are two tables for 2020/21 depending on whether the car's emissions are tested under the WLTP or the NEDC.

What vehicles are available?

There are different types of electric vehicles (EVs). Pure electric vehicles (PEVs) use rechargeable batteries and run solely from electrical power rather than an internal combustion engine and are zero-emission vehicles.

A hybrid electric vehicle (HEV) uses power from two sources, one fuelled by petrol or diesel, the other electric. HEVs will switch between the two motors and generally have a small electric-only range of a few miles.

Plug-in hybrid vehicles (PHEVs) are more advanced and fuel-efficient. PHEVs recharge their batteries from an electrical source. These vehicles have a higher electric-only range.

CO_2 emissions (g/km)	Appropriate percentage (%) 2019/20	2020/21 registered after 5/4/20	2020/21 registered before 6/4/20
0	16	0	0
1 - 50	16		
1 – 50 (split by zero-emission miles)			
>130		0	2
70-129		3	5
40-69		6	8
30-39		10	12
<30		12	14
51 – 54	19	13	
55 – 59	19		
60 – 64	19		
65 - 69	19		
70 - 74			
75 - 79			
80 - 84			
85 - 89			
90 - 94			
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Euro Standard 6d emissions (als
meets this standard will have Fuel T
Otherwise the diesel code is 'D'.

From September 2018 the Euro Standard to whic
certified must also be recorded on the car's V5c.

Fuel BiK

An additional BiK arises where fuel is provided by the employer for private mileage. The taxable car fuel benefit is calculated by applying the appropriate percentage to the car fuel benefit charge multiplier, which is £24,100 in 2019/20.

Electric charging points

The use of EVs is also being encouraged by the availability of 100% first-year allowance for expenditure on electric charge-point equipment until 31 March 2023 for corporation tax, and 5 April 2023 for income tax.

Electricity

In addition, electricity is not regarded as a fuel for car fuel BiK purposes and this can be reimbursed at 4p per mile for business journeys for employer provided PEVs.

The government now exempts employer-provided electricity from being taxed as a BiK. This also applies to electricity provided in workplace charging points for vehicles owned by employees. This means such employee benefits do not need to be reported on P11Ds.

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t air pollution in
cities look set to follow London's lead.
have outlined plans to deter heavy pollute
other councils around the UK will be watching with interest.

London's Ultra Low Emission Zone came into force in April 2019. There a few specific exemptions, which include vehicles that emit less than 50 g/km of CO_2 with a minimum 20-mile zero-emission range.

We can review your business motoring requirements to help keep your tax liability to a minimum, so do contact us for further information and advice.