



## GREENER BUSINESS MOTORING



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

### 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 replaced and car manufacturers state it shows higher vehicle carbon dioxide (CO<sub>2</sub>) emissions. However, for cars registered before 6 April 2020, the NEDC test is still 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<sub>2</sub> 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 paid 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 reduced the percentages which apply to lower emissions cars and introduced 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 remained 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 2021/22 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 <sub>2</sub> emissions (g/km)	Appropriate percentage (%)			
	2020/21 registered after 5/4/20	2020/21 registered before 6/4/20	2021/22 registered after 5/4/20	2021/22 registered before 6/4/20
0	0	0	1	1
1 – 50 (split by zero-emission miles)				
>130	0	2	1	2
70-129	3	5	4	5
40-69	6	8	7	8
30-39	10	10	10	10
<30	12	12	12	12
51 – 54				
55 – 59				
60 – 64				
65 – 69				
70 – 74				
75 – 79				
80 – 84				
85 – 89				
90 – 94				
For electric cars				

## 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 £24,600 in 2021/22 (£24,500 in 2020/21).

## Electric charging points

The use of EVs is also being encouraged by the availability of a 100% first year allowance for expenditure on electric charge-point equipment.

## 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 new law exempts employer-provided electricity from tax. This also applies to electricity provided in vehicles owned by employees. The amount does not need to be reported.

**Factsheets**  
are available in the following formats:

**Printed personalised factsheet**  
£120 for the first 100, then £30 per 50 run on.  
Black logo free. Colour logo £110. Delivery £15+VAT.

**Personalised PDF – £130+VAT**  
Intended for emailing or displaying on your website.

**Non-personalised PDF – £110+VAT**

**Text-only Word format – £110+VAT**  
Ready for you to copy and paste into your literature or a letter, email to clients or display on your website.

**ORDER NOW**  
**CLICK ME**

This tax rate for zero-emission cars investing in

### Example

David has a car with a list price of £28,395 when the CO<sub>2</sub> emissions are 26 g/km. David's BiK for 2020/21 will increase in 2021/22.

## OTHER CONSIDERATIONS

### The diesel supplement

An additional supplement of 4% of the list price applies to diesel cars up to a maximum cap of 37%. The supplement does not apply to diesel hybrids, or if a car is registered after 1 September 2017 and meets the Euro Standard 6d emissions (also known as RDE2). A diesel car which meets this standard will have Fuel Type 'F' for the P11D and P46 (Car). Otherwise the diesel code is 'D'.

From September 2018 the Euro Standard to which a car has been certified must also be recorded on the car's V5c.

VED for companies with cars with CO<sub>2</sub> emissions above 130 g/km. The rate pool is £100 per tonne of CO<sub>2</sub> above 130 g/km. The rate pool is £100 per tonne of CO<sub>2</sub> above 130 g/km. The rate pool is £100 per tonne of CO<sub>2</sub> above 130 g/km.

This tax rate for zero-emission cars investing in

For electric cars

CG cars, in

price of cars must be at least 70% of the list price. For cars registered after 1 September 2017, the rate is 10% of the list price.

VED is set at £100 per tonne of CO<sub>2</sub> above 130 g/km for a first-year rate of VED. The rate is £100 per tonne of CO<sub>2</sub> above 130 g/km for a first-year rate of VED. The rate is £100 per tonne of CO<sub>2</sub> above 130 g/km for a first-year rate of VED.

**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.**

DISCLAIMER: This newsletter is for guidance only, and professional advice should be obtained before acting on any information contained herein. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.