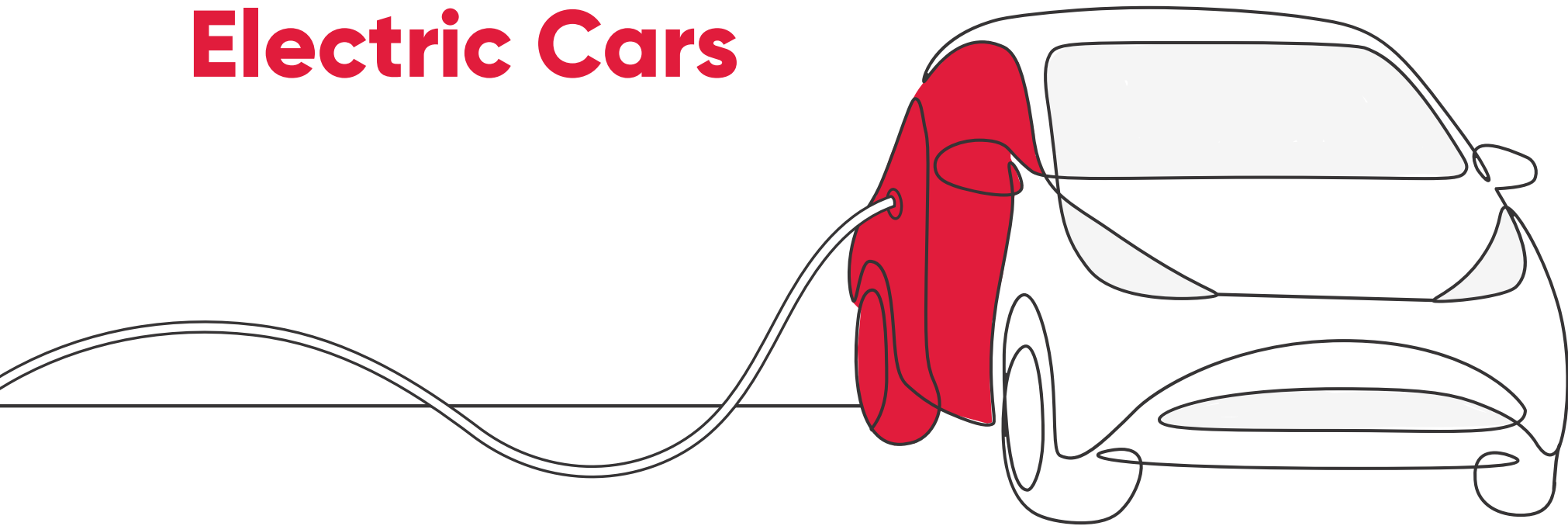


Electric Cars



Electric cars can be a tax efficient benefit to provide to employees. However, the tax consequences can be very complex.



Income Tax and National Insurance

The Basics

The provision of a company car is a benefit in kind. Employees pay PAYE on the value of the car benefit and employers pay class 1A NIC.

The car benefit is not the same as its cost. It is calculated by considering the list price, the number of days the car was available in the year and any employee contributions. Where the battery for the car is leased separately to the car itself, this is included in the list price.

The value of the car benefit is determined by HMRC, dependant on the CO₂ emissions and electric mile range. The rates for 2022/23 are as follows:

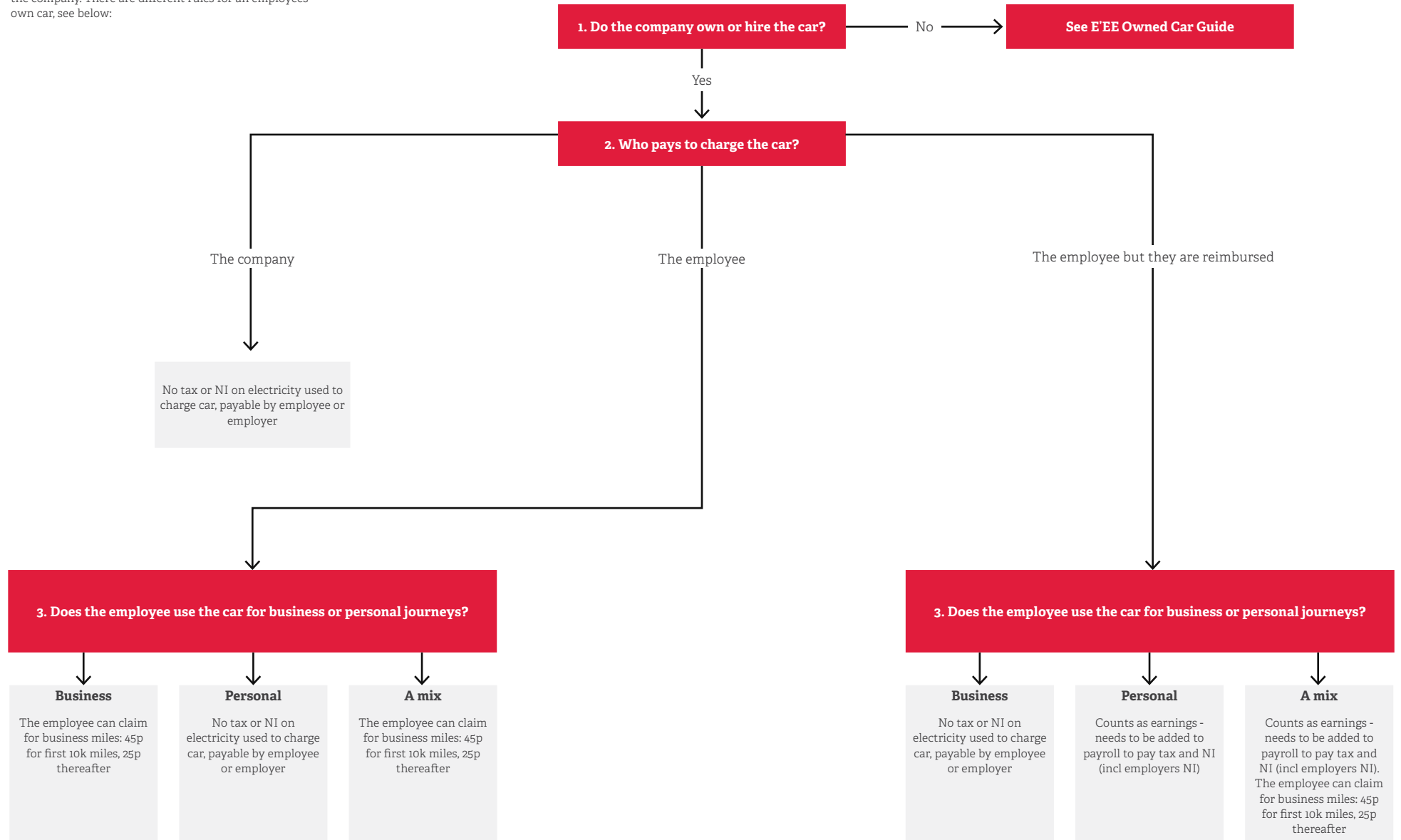
CO₂ Emissions (grams p/km)	Electric Mileage Range	% of car benefit, subject to PAYE
0	-	2
1 – 50	130+	2
1 – 50	70 – 129	5
1 – 50	40 – 69	8
1 – 50	30 – 39	12
1 – 50	Less than 30	14

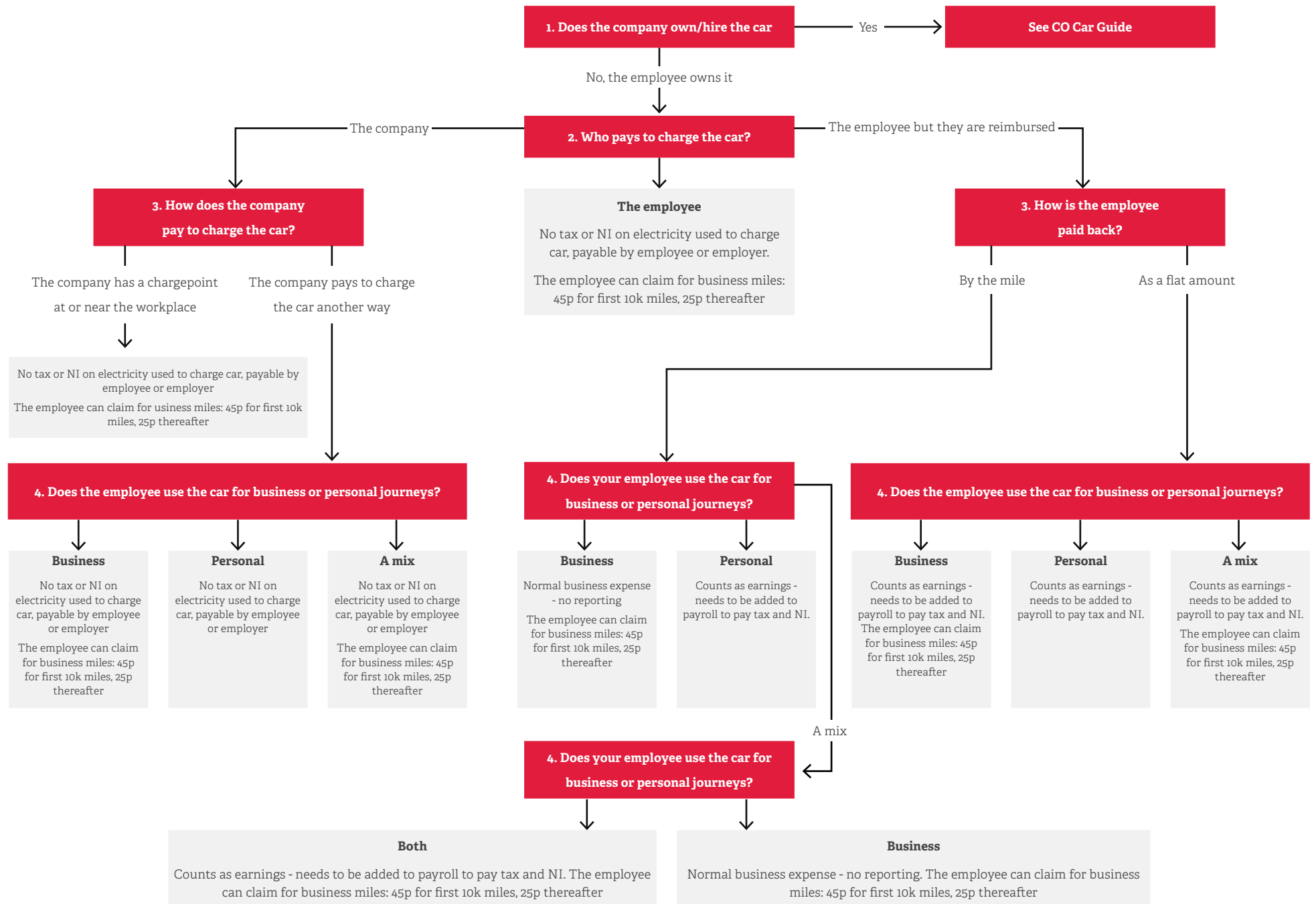
The above rates are currently set to stay consistent for the 2023/24 and 2024/25 tax years.

It is important to remember that whilst electric company cars are an attractive benefit, they ultimately belong to the company.

Charging of Company Cars

Please note, the above solely covers if the car is owned by the company. There are different rules for an employees own car, see below:





Corporation Tax

For companies that wish to purchase rather than lease their cars, the purchase of new, unused cars with zero CO₂ emissions are eligible for 100% first year capital allowances. This means you can deduct the full cost from your pre-tax profits.

The purchase of new or second hand cars with CO₂ emissions from 1-50g/km will be added to the main pool for capital allowances with an annual writing down allowance of 18%. Fully electric, second hand cars will also be eligible for the 18% writing down allowance rate.

The purchase of new or second hand cars with CO₂ emission exceeding 50g/km must be allocated to the special rate pool, receiving annual writing down allowances at 6%.

The fitting of a qualifying electric charging point for cars which must be used in the business can benefit from the 100% first year allowance.

VAT

VAT on a new car can be claimed if it is used only for business. The car must not be available for private use, and you must be able to show that it is not, for example it is specified in your employee's contract.

Salary Sacrifice

What are the benefits of a salary sacrifice scheme for an employee?

Salary sacrifice is where your employee agrees to give up part of their pre-tax salary in exchange for a benefit from their employer. A salary sacrifice scheme will allow the employee to drive a fully electric company car, by forgoing a portion of their gross salary. The amount will be deducted before tax and National Insurance contributions are applied which in turn reduces their taxable gross pay. Note, the optional remuneration rules do not apply to low emission vehicles with CO₂ emissions of 75g/km or less.

What are the benefits of a salary sacrifice scheme for an employer?

A salary sacrifice scheme will allow the employers to offer employees a new

car at a lower cost with a tax-efficient payment method. Additionally, the company should also benefit from reduced National Insurance contribution payments.

Overall Benefits

For the Employer:

- Deduction from pre-tax profits for the cost of the Car if owned by the business,
- Increased employee engagement and retention,
- National Insurance contribution savings (if administered through salary sacrifice),
- Reduced fuel costs (compared to electric and diesel cars),
- No initial upfront costs – if the car is leased,
- Employee interaction and engagement is covered by the leasing company,
- Road tax has been reduced to zero for electric cars until 2025.

Benefits for the Employee:

- Access to a brand-new electric car,
- Significant National Insurance savings,
- No initial upfront costs,
- Flexible mileage and terms,
- Fixed cost motoring without unexpected bills or service costs.

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