

BENEFIT-IN-KIND AND COMPANY CAR TAX ON AN ELECTRIC CAR



Cars bought by employers, for their employees, incur a tax called 'company car tax'. Introduced in 2002, this taxation was used as a way to encourage both businesses and workers to choose low-emission vehicles; by linking tax with CO₂ emissions.

What is Benefit in Kind?

This vehicle, from employer to employee, is classed as a 'perk', which is taxable. This is also known as a Benefit-in-Kind (BiK).

Usually employees get to choose their company car from a list provided by their company/employer. How much tax the company and the employee pay depends on the vehicle's value, its CO₂ emissions and the income-tax bracket of the employee.

What are the current rates?

During the 2021/22 financial year (which began on 6 April 2021), the company-car tax/ BiK rate for all zero-emissions vehicles rose to 1%, having previously been zero.

We have included a table below that may better explain this.

Tax Year	Pure EVs	Lower emission vehicles (1-50g/km emissions, 130+ mile range and registered after 6 April 2020)	Lower emission vehicles (1-50g/km emissions, 130+ mile range, registered before 6 April 2020)
2020/2021	0%	0%	2%
2021/2022	1%	1%	2%
2022/2023	2%	2%	2%

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Please also note that fully electric cars are zero-rated for road tax – otherwise referred to as Vehicle Excise Duty (VED) – as well as being exempt from the London Congestion Charge until 2025.

HMRC Reporting

Employers: From 6 April 2021 (2021/22 tax year) all electric cars incur a Benefit in Kind. P11D forms for 2021/22 will need to be prepared and submitted to HMRC by 6 July 2022.

Employees: From 6 April 2021 (2021/22 tax year) all electric cars incur a Benefit in Kind. You will need to obtain a P11D form from your employer and include the Benefit in Kind on your Self Assessment tax return, the submission deadline for which is 31 January 2023.

How We Can Help

If this is something that, as an employer, you think would be a viable option to offer your employees, or as an employee you would like to know more to be able to discuss with your employer, we can offer expert advice.

Contact us on **01753 888211** or email **info@nhllp.com** we would be happy to assist.