

# Sherlock & Co

Chartered Accountants



## Tax savings on Electric Company Cars

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### Is it time to switch to electric?

As more people are choosing to 'go electric', charging points are popping up across the country and as traditional fuel costs remain high, more and more people are seriously considering making the switch.

Many employees opt out of having a company car because of the high personal tax cost. When a company car is made available to an employee and that employee uses the car for non-business use as well as business use, the individual is charged tax on a deemed benefit in kind (BIK). Cars powered by traditional fuels can have a benefit in kind value as high as 37% of the list price when new. However, benefit in kind values for 100% electric vehicles are currently (2022/23) just 2% of the list price when new and this rate is set to remain at this level until 5 April 2025.

Could this be a further incentive to switch to electric? Some further benefits are detailed below.

### Attracting Talent

Offering employees a company car may improve your chances of attracting the right people to come and work for you. If you were to offer an employee an electric car with a list price (when new) of (say) £60,000, this would give them a BIK of just £1,200 (2% x £60,000). With this BIK, an employee who is a higher-rate tax payer would pay just £480 in tax each year.

For a non-electric vehicle, assuming a BIK rate of 37%, the employee would end up paying tax of £8,880 (37% x £60,000 x 40%). This is quite a difference and when you factor in the environmental credentials, it is quite compelling.

In addition to reduced BIK values, currently, there is no taxable benefit where electricity is provided for charging electric cars at the workplace as long as this is available to all employees; regardless of whether the car is used for business or private use. Compare this to a business providing petrol or diesel for private use in a non-electric car – this could give a BIK of £9,102 which would cost a higher rate tax payer £3,641 per year!

### Company benefits

Leasing costs are tax deductible in the year of expenditure but if the Company is planning to purchase rather than lease, there is also the added benefit that fully electric cars qualify for 100% first-year allowance if the car is purchased new and unused. This effectively gives full tax relief to the Company on the cost of the car in the year of its purchase. For example, a £60,000 investment in an electric vehicle would yield a £11,400 saving in corporation tax for your company.

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There are also other benefits of 'going green' which include reduced road tax until April 2025 and being exempt from the Ultra-Low Emission Zone (ULEZ) and congestion charges until December 2025; so it is clear why companies are beginning to look at electric cars as a viable option for their fleet.

Switching to an all-electric company car fleet will result in National Insurance savings too. Employers suffer a 13.8% National Insurance charge on total benefits in kind; reducing the total benefits value, by converting to electric, will by default, reduce the overall employers' National Insurance Tax charge.

### Available Grants

Current government policy is to increase the electric vehicle charging infrastructure and to facilitate this, grant schemes are available to individuals and businesses which help towards the cost of the installing charging points. More information can be found by visiting:

<https://www.gov.uk/government/collections/government-grants-for-low-emission-vehicles>

### How we can help

We have tax experts available to assist individuals or businesses with their taxes. For assistance, please contact us.

### CONTACT US

If you have any queries or need any advice, please do not hesitate to contact us on:

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