



Budget
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THE BMW GUIDE

TO COMPANY CAR TAX MARCH 2023



INTRODUCTION

The Budget on 15 March 2023 announced Benefit-in-Kind (BIK) tax rates for company cars until March 2028. For now, BIK tax percentages for all company cars are fixed until April 2025, with the EV rate set at 2%. From that date, tax percentages for EVs will increase, with 1% increments applying up to 2027/28. Rates for all other vehicle bands will also rise – by one percentage point in 2025/26 up to 37% where they will be fixed until 2027/28.

Annual VED rates were also published for 2023/24, with a

rise of up to £240 for the worst emitters of CO₂. As previously announced, VED will be brought in on all EVs from April 2025 with rates falling into line with those for petrol and diesel cars, including the supplement for new cars costing £40,000 or more, set at £390 in addition to the standard rate for the first five years following first registration.

Businesses are also able to benefit from capital allowance 'full expensing', or 100% first-year tax relief, on qualifying plant

and machinery expenditure including vans and electric vehicle chargepoints (but excluding cars) for three years from 2023/24, building on the success of Budget 2021's 130% 'Super Deduction'. A 50% first-year allowance (FYA) for expenditure on new special rate assets applies until 31 March 2026. Elsewhere, the planned 11p/litre fuel duty rise was also cancelled.

This BMW Guide to Company Car Tax offers explanations and guidance on developments following the March 2023 Budget.

Disclaimer: The information provided in this Guide is for general information purposes only and is correct to the best of our knowledge at the time of publication (March 2023). While we have made every effort to ensure the information in this document is accurate, neither BMW (UK) Ltd nor the author can be held responsible for any actions or consequences arising from acting on, or refraining from taking any action, as a result of reading this. You should seek your own independent financial advice in relation to any taxation or accounting matters referred to in this document. Figures for fuel consumption, CO₂ emissions and energy consumption for individual models are shown for comparability purposes. These figures may not reflect real life driving results, which will depend upon a number of factors including accessories fitted (post registration), variations in weather, driving styles and vehicle load. Figures for electric vehicles and plug-in hybrid vehicles were obtained after the battery had been fully charged. Figures for plug-in hybrid vehicles were obtained using a combination of battery power and fuel. More information is available at www.BMW.co.uk and at www.vehicle-certification-agency.gov.uk. **UK model specifications may vary.**



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VEHICLE EXCISE DUTY

Vehicle Excise Duty (VED) rates for 2023/24 are shown (right). Cars priced over £40,000 with zero emissions of CO₂ when driving are exempt from the additional rate until 31 March 2025. From 1 April 2025, VED will be levied for the first time on EVs at 'Band B' rates. New EVs over £40,000 first registered from 1 April 2023 will also become liable for the additional rate, while zero emission vans will also move to the rate for petrol and diesel light goods vehicles – £320 a year for most vans in 2023/24.

- **First-year rate:** Applies to all cars registered from 1 April 2017.
- **Standard rate (yr2 onwards):** £180* – cars with CO₂ emissions of 1g/km or over with a list price of £40,000 or less.
- **Additional rate (yr2 onwards):** £570* – cars with CO₂ emissions of 1g/km or more priced over £40,000. For EVs, the additional rate applies only to cars registered from 1 April 2025.

VED rates 2023/24: cars first registered after 1 April 2017

VED Band	CO ₂ emissions (g/km)	First year rate (£)	First year rate (diesels) (£) ¹	Standard rate Yr2 on (under £40,000) (£) ²	Standard rate Yr2 on (over £40,000) (£) ³
A	0	0	0	0	0
B	1-50	10	30	180	570
C	51-75	30	130	180	570
D	76-90	130	165	180	570
E	91-100	165	185	180	570
F	101-110	185	210	180	570
G	111-130	210	255	180	570
H	131-150	255	645	180	570
I	151-170	645	1,040	180	570
J	171-190	1,040	1,565	180	570
K	191-225	1,565	2,220	180	570
L	226-255	2,220	2,605	180	570
M	Over 255	2,605	2,605	180	570

¹ Applies to diesel vehicles that do not meet the Real Driving Emissions Step 2 (RDE2) standard.
² Alternative fuel vehicles, including hybrids, bio-ethanol and LPG, pay £170 a year. ³ Cars with a list price over £40,000, except those with zero CO₂ tailpipe emissions when driving, pay an additional rate of £390 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2023/24 rates apply from 1 April 2023. * VED rates subject to annual increase in April 2024



COMPANY CAR TAX

Company car BIK tax is based on a car's P11D price and CO₂ emissions. All company cars are taxed according to WLTP CO₂ emissions, with the BIK percentage rates shown in the table (right) applying until 31 March 2028.

From 1 April 2025, BIK tax rates for cars with zero emissions of CO₂ when driving, for example EVs, will rise by 1% a year until 2027/28. Rates for all other BIK bands will rise by 1% in 2025/26 and are then fixed in 2026/27 and 2027/28. For cars with CO₂ emissions of 1-50g/km, their driving range with zero emissions of CO₂ has a bearing on tax liabilities. For non-RDE2 diesels, a 4% tax charge applies.

Example: a 100% electric BMW iX 40 (above) has a P11D price of £72,850 and CO₂ emissions of 0g/km. Its BIK band for 2023-2025 is 2%. £72,850 x 2% gives a taxable value of £1,457 and yearly BIK tax of £291 (£24/month) for a 20% tax payer, or £583 a year (£49/month) at 40%.

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Taxable percentages of P11D value: 2023 – 2028

All company cars

WLTP CO ₂ emissions (g/km)	Zero CO ₂ emissions range ¹	BIK (%) 2023/2024 ²	BIK (%) 2024/2025 ²	BIK (%) 2025/2026 ²	BIK (%) 2026/2027 ²	BIK (%) 2027/2028 ²
0	All	2	2	3	4	5
1 to 50	More than 130	2	2	3	4	5
1 to 50	70-129	5	5	6	7	8
1 to 50	40-69	8	8	9	10	11
1 to 50	30-39	12	12	13	14	15
1 to 50	Less than 30	14	14	15	16	17
51 to 54	-	15	15	16	17	18
55 to 59	-	16	16	17	18	19
60 to 64	-	17	17	18	19	20
65 to 69	-	18	18	19	20	21
70 to 74	-	19	19	20	21	21
75 to 79	-	20	20	21	21	21
80 to 84	-	21	21	22	22	22
85 to 89	-	22	22	23	23	23
90 to 94	-	23	23	24	24	24
95 to 99	-	24	24	25	25	25
100 to 104	-	25	25	26	26	26
105 to 109	-	26	26	27	27	27
110 to 114	-	27	27	28	28	28
115 to 119	-	28	28	29	29	29
120 to 124	-	29	29	30	30	30
125 to 129	-	30	30	31	31	31
130 to 134	-	31	31	32	32	32
135 to 139	-	32	32	33	33	33
140 to 144	-	33	33	34	34	34
145 to 149	-	34	34	35	35	35
150 to 154	-	35	35	36	36	36
155 to 159	-	36	36	37	37	37
160+	-	37	37	37	37	37

Source: HMRC. For all cars, drivers must add 4% to their appropriate percentage if the car is propelled solely by diesel (up to a maximum of 37%). Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement. The RDE2 standard sets a maximum permitted level of car NOx emissions in real world driving situations, and is measured through portable emissions-measuring equipment in a variety of real driving trips. Rates for fully electric cars (0g/km) are capped at 5%. Rates for ultra-low emission cars (1-74g/km) are capped at 20% for the tax year 2025/2026. They are capped at 21% for the tax years 2026/2027 and 2027/2028. Rates for bands 75-170g/km and above remain frozen for the 2026/2027 and 2027/2028 tax years.¹ In miles when driving. ² Rates apply until 31 March in each tax year



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CAPITAL ALLOWANCES AND LEASE RENTAL RESTRICTION

Company cars bought outright are eligible for write-down allowances, where capital outlay can be offset against tax. The allowance threshold between the 18% main and 6% special rates is based on CO₂ emissions, set at 50g/km in 2023/24. For cars with CO₂ emissions of 1-50g/km, the allowance is 18% a year, while for cars with CO₂ emissions of 51g/km or more it is 6%. A 100% first-year capital allowance applies until 31 March 2025 to cars with zero emissions of CO₂ while driving, although leasing companies are unable to claim the allowance.

Full expensing

The Budget also announced capital allowances based on 'full expensing', based on the success of the 130% 'super deduction' introduced in 2021. Full expensing enables businesses to deduct 100% of outright purchase expenditure from their profits before tax on new main rate equipment items – such as electric charging equipment, vans and trucks (provided the Plug-in Grant has not also been claimed) but excluding company cars – from 1 April 2023, effective until 31 March 2026.

A 50% first-year allowance (FYA) for expenditure on new special rate assets also applies until 31 March 2026.

Lease rental restriction

Lease rentals on company cars can be offset against tax, with the threshold set at 50g/km of CO₂. New cars with CO₂ emissions of 50g/km or less are eligible for 100% of payments to be offset, while only 85% is claimable for those with CO₂ emissions of 51g/km or more.



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FUEL ALLOWANCES

The ‘free’ fuel benefit

BIK tax is payable by drivers receiving employer-provided ‘free’ fuel for private mileage in a company car. To calculate it, the Fuel Benefit Charge (FBC) is used – £27,800 in 2023/24.

Calculating tax due on employee provided ‘free’ fuel

A new BMW X2 xDrive25e M Sport Plug-in Hybrid has WLTP-derived CO₂ emissions of 39g/km and an all-electric range of 32 miles giving a BIK tax percentage of 12% in 2023/24. Its WLTP combined fuel consumption figure is 166.2mpg. £27,800 x 12% gives a taxable value of £3,336. Multiplying by the driver’s income tax rate derives annual tax of £3,336 x 20% = £667, or £3,336 x 40% = £1,334.

With the average price of unleaded at £6.73/gal or £1.48/litre (March 2023), £667 will buy around 99 gallons (450 litres) for a 20% tax payer. For a 40% tax payer, it is around 198 gallons (900 litres).

Multiplying each by the BMW X2 xDrive25e M Sport’s combined fuel consumption of 166.2mpg gives 16,454 miles for a 20% tax payer, or 32,908 miles for a 40% tax payer – the minimum private mileages you need to cover to make the ‘free’ fuel benefit worthwhile. If your private mileage is less than the calculated figure, paying for the fuel yourself will cost less than the tax. If it is greater, you are better off paying the tax.

As electricity is not a fuel it has no scale charge, meaning drivers of 100% electric cars are exempt from fuel benefit tax.

Business mileage, private car

HMRC Approved Mileage Allowance Payments (AMAPs) – the tax and NIC-free amounts claimable by a driver using his/her own car for business mileage – are shown below for 2023/24.

AMAP reimbursement rates per mile 2023/24

All cars and vans	
Up to 10,000 miles	Over 10,000 miles
45p	25p



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CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

Class 1A NICs are payable at 13.8% of taxable value by the employer on the company car benefit and employer-provided fuel for private use.

As electricity is not classed as a fuel, there is no scale charge and 100% electric cars are NIC-exempt in 2023/24. For plug-in hybrid cars, the zero-emission mileage the car can travel affects the NIC payable in the same way as for BIK tax.

Class 1A NIC – petrol, diesel and plug-in hybrid cars:

A BMW 330e M Sport Plug-in Hybrid, with a P11D price of £47,480 and WLTP CO₂ emissions of 31g/km, has a zero-emission range of 37 miles, giving a BIK tax percentage of 12% in 2023/24.

£47,480 x 12% gives a taxable value of £5,698. Multiplying by 13.8% derives annual Class 1A NIC of £786.

Class 1A NIC – employer-provided 'free' fuel in 2023/24:

For employer-provided fuel for private use, the Government Fuel Benefit Charge of £27,800 applies in 2023/24. Multiplying by the BMW 330e M Sport's 12% tax charge gives a taxable value of £3,336. Multiplying again by 13.8% gives Class 1A NIC of £460.

Click **here** for more information on car and fuel benefits.



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GOVERNMENT PLUG-IN GRANTS

The Government Plug-in Car Grant of up to £2,500 is available only to wheelchair accessible vehicles priced up to £35,000* with zero CO₂ tailpipe emissions and a zero-emission range of at least 70 miles.

Motorcycles priced up to £10,000, with zero CO₂ tailpipe emissions and a range of at least 31 miles between charges, are eligible for a maximum grant of £500.

Mopeds or scooters costing up to £10,000, with zero CO₂ tailpipe emissions and a range of at least 19 miles between charges are eligible for a maximum grant of £150.

Vans under 2.5t GVW with CO₂ emissions of 50g/km or less and a zero-emission range of at least 60 miles receive a grant of up to £2,500. Vans of 2.5-4.25t GVW receive a grant of up to £5,000. Grants are limited to 1,000 per customer per year and exclude leasing companies. Click **here** for more information.

Plug-in Van Grant

Plug-in Van and Truck Grant availability was extended in 2022 until 2024/25, with the threshold for claiming the small truck grant of up to £16,000 increased from 3.5t to 4.25t GVW.

Vans up to 4.25t are eligible for the large van grant of up to

£5,000. Drivers with standard car licences can also drive electric vans of up to 4.25t, compared with a 3.5t limit for diesel vans.

Electric Vehicle Chargepoint Grant

The EV Chargepoint Grant has replaced the Electric Vehicle Homecharge Scheme (EVHS) and is available to people living in flats (including those with mortgages) and rental accommodation.

Those in single-unit properties such as bungalows and detached, semi-detached or terraced housing are no longer eligible for the grant. Click **here** for further information.

*The definition of recommended retail price includes VAT (including VAT reclaimable by a business) vehicle manufacturer or dealer's mandatory extras including delivery charges or administration fees, the battery cost (including where the battery is leased), any non-standard option fitted by the manufacturer or dealer affecting the capacity of the battery, drivetrain configuration or maximum net power, and excludes any non-standard option fitted by the manufacturer or dealer which does not affect the capacity of the battery, drivetrain configuration or maximum net power, modifications such as 'police packs', ambulance/fire engine modifications, modifications for disabled users, including WAV conversions, warranty/insurance and service packages etc, first registration fee and cost of first-year VED and any discounts (including rebates). **UK model specifications may vary**