



Budget
November 2022

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THE BMW GUIDE

TO COMPANY CAR TAX NOVEMBER 2022



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INTRODUCTION

The Budget on 17 November 2022 announced significant changes to the tax treatment of zero-emission electric vehicles (EVs), with Chancellor Jeremy Hunt stating that the tax system should reflect consumer behaviour due to the success of the ongoing transition to electric vehicles.

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 £355 supplement for new cars costing £40,000 or more.

For now, Benefit-in-Kind (BIK) tax percentages for all company cars are fixed until April 2025, with the EV rate set at 2%. From that date, however, BIK tax percentages for EVs will increase, with 1% increments applying up to 2027/28.

BIK rates for all other vehicle bands will also rise – by one percentage point in 2025/26 up to a maximum of 37% where they will be fixed until 2026/27 and 2027/28. Elsewhere, fuel duty is set to rise by the Consumer Prices Index in April

2023, while the advisory rate for those using a company EV on business increases from 5p/mile to 8p/mile on 1 December 2022. The current 100% First Year Allowance for electric vehicle chargepoints will also be extended from 31 March 2023 to 31 March 2025 for corporation tax, and 5 April 2025 for income tax.

This updated BMW Guide to Company Car Tax offers explanations and guidance on developments following the November Budget Statement.

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 (November 2022). 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 2022/23 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, currently £290 a year for most vans.

- **First-year rate:** Applies to all cars registered from 1 April 2017.
- **Standard rate (yr2 onwards):** £165* – cars with CO₂ emissions of 1g/km or over with a list price of £40,000 or less.
- **Additional rate (yr2 onwards):** £520* – 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 2022/23: 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	25	165	520
C	51-75	25	120	165	520
D	76-90	120	150	165	520
E	91-100	150	170	165	520
F	101-110	170	190	165	520
G	111-130	190	230	165	520
H	131-150	230	585	165	520
I	151-170	585	945	165	520
J	171-190	945	1,420	165	520
K	191-225	1,420	2,015	165	520
L	226-255	2,015	2,365	165	520
M	Over 255	2,365	2,365	165	520

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 £155 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 £355 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2022/23 rates apply from 1 April 2022. * VED rates subject to annual increase in April 2023



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COMPANY CAR TAX

Company car BIK tax is based on a car's P11D price and CO₂ emissions. From 1 April 2022 all company cars are taxed according to WLTP CO₂ emissions, with the BIK percentage rates shown in the table (right) applying until 31 March 2025.

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 (shown in brackets).

Example: a 100% electric BMW iX M60 (above) has a P11D price of £116,850 and CO₂ emissions of 0g/km. Its BIK band for 2022-2025 is 2%. £116,850 x 2% gives a taxable value of £2,337 and yearly BIK tax of £467 (£39/month) for a 20% tax payer, or £935 a year (£78/month) at 40%.

Taxable percentages of P11D value: 2022 – 2025

All company cars

WLTP CO ₂ emissions (g/km)	Zero CO ₂ emissions range ¹	BIK % 2022 – 2025 ²
0	All	2
1-50	Over 130	2 (6)
1-50	70-129	5 (9)
1-50	40-69	8 (12)
1-50	30-39	12 (16)
1-50	Up to 30	14 (18)
51-54	-	15 (19)
55-59	-	16 (20)
60-64	-	17 (21)
65-69	-	18 (22)
70-74	-	19 (23)
75-79	-	20 (24)
80-84	-	21 (25)
85-89	-	22 (26)
90-94	-	23 (27)
95-99	-	24 (28)
100-104	-	25 (29)
105-109	-	26 (30)
110-114	-	27 (31)
115-119	-	28 (32)
120-124	-	29 (33)
125-129	-	30 (34)
130-134	-	31 (35)
135-139	-	32 (36)
140-144	-	33 (37)
145-149	-	34 (37)
150-154	-	35 (37)
155-159	-	36 (37)
160+	-	37 (37)

Source: HMRC. Figures in brackets apply to diesels. Diesel hybrids and diesel cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel tax charge. ¹Measured in miles when driving. ²Rates apply until 31 March 2025.



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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.

A 100% first-year capital allowance applies to cars with zero emissions of CO₂ while driving until 31 March 2025, although leasing companies are unable to claim the allowance. The Chancellor also extended the 100% First Year Allowance (FYA) for companies investing in workplace electric vehicle chargepoints until 31 March 2025.

The threshold between the 18% main and 6% special rates is based on CO₂ emissions, set at 50g/km in 2022/23. For cars with CO₂ emissions of 1-50g/km, the capital allowance is 18% a year, while for cars with CO₂ emissions of 51g/km or more it is 6%.

A 130% 'super deduction' allowance, available until 31 March 2023, applies to outright purchase expenditure on new main pool items – such as vans and charging equipment but excluding company cars.

Zero emission electric vans are also eligible for a 100% FYA until 31 March 2025 provided the Plug-in Van Grant has not also been claimed. All other vans are eligible for an 18% annual allowance.

Lease rental restriction

Lease rentals 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 – £25,300 in 2022/23.

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 52 miles giving a BIK tax percentage of 8% in 2022/23. Its WLTP combined fuel consumption figure is 156.9mpg. £25,300 x 8% gives a taxable value of £2,024. Multiplying by the driver’s income tax rate derives annual tax of £2,024 x 20% = £405, or £2,024 x 40% = £810.

With the average price of unleaded at £7.44/gal or £1.64/litre (November 2022), £405 will buy around 54 gallons (245 litres) for a 20% tax payer. For a 40% tax payer, it is around 108 gallons (491 litres).

Multiplying each by the BMW X2 xDrive25e M Sport’s combined fuel consumption of 156.9mpg gives 8,472 miles for a 20% tax payer, or 16,945 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 2022/23.

AMAP reimbursement rates per mile 2022/23

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 2022/23. 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 £46,075 and WLTP CO₂ emissions of 31g/km, has a zero-emission range of 61 miles, giving a BIK tax percentage of 8% in 2022/23.

$£46,075 \times 8\%$ gives a taxable value of £3,686. Multiplying by 13.8% derives annual Class 1A NIC of £509.

Class 1A NIC – employer-provided 'free' fuel in 2022/23:

For employer-provided fuel for private use, the Government Fuel Benefit Charge of £25,300 applies in 2022/23. Multiplying by the BMW 330e M Sport's 8% tax charge gives a taxable value of £2,024. Multiplying again by 13.8% gives Class 1A NIC of £279.

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

The Spring 2022 Budget confirmed that Plug-in Van and Truck Grant availability is extended for two extra years until 2024/25. From 1 April 2022, the threshold for claiming the small truck grant of up to £16,000 increased from 3.5t to 4.25t GVW, with vans up to 4.25t able to claim 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**