



Budget
March 2024

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THE BMW GUIDE

TO COMPANY CAR TAX MARCH 2024



INTRODUCTION

The Budget on 6 March 2024 headlined with announcements on the continued freeze on fuel duty, a cut in National Insurance Contributions and funding commitments for innovation in zero emission vehicle and clean aviation.

The Budget also confirmed 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 annually until 2027/28. Rates for

all other vehicle bands also rise – by one percentage point in 2025/26 up to 37% where they are fixed until 2027/28.

VED rates increase in line with the Retail Price Index in April 2024, and 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.

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 EV chargepoints (but excluding cars). Initially introduced for three years from 2023/24, this was confirmed as permanent in the Budget, and is now set to include leased assets, with draft legislation to come.

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

This BMW Guide to Company Car Tax offers explanations and guidance on developments following the March 2024 Budget.



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VEHICLE EXCISE DUTY

Vehicle Excise Duty (VED) rates for 2024/25 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 move to the rate for petrol and diesel light goods vehicles – £335 a year for most vans in 2024/25.

- **First-year rate:** Applies to all cars registered from 1 April 2017.
- **Standard rate (yr2 onwards):** £190 – cars with CO₂ emissions of 1g/km or over with a list price of £40,000 or less.
- **Additional rate (yr2 onwards):** £600 – 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 2024/25: 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	190	600
C	51-75	30	135	190	600
D	76-90	135	175	190	600
E	91-100	175	195	190	600
F	101-110	195	220	190	600
G	111-130	220	270	190	600
H	131-150	270	680	190	600
I	151-170	680	1,095	190	600
J	171-190	1,095	1,650	190	600
K	191-225	1,650	2,340	190	600
L	226-255	2,340	2,745	190	600
M	Over 255	2,745	2,745	190	600

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 £180 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 £410 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2024/25 rates apply from 1 April 2024

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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% point 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 iX1 eDrive20 M Sport (above) has a P11D price of £51,550 and CO₂ emissions of 0g/km. Its BIK band for 2024/2025 is 2%. £51,550 x 2% gives a taxable value of £1,031 and yearly BIK tax of £206 (£17/month) for a 20% tax payer, or £412 a year (£34/month) at 40%.

Taxable percentages of P11D value: 2024 – 2028

All company cars

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

Calculating tax due on employee provided 'free' fuel

A new BMW 750e xDrive Excellence Plug-in Hybrid has WLTP-derived CO₂ emissions of 24g/km and an all-electric range of 79 miles giving a BIK tax percentage of 5% in 2024/25.

Its WLTP combined fuel consumption figure is 256.8mpg, (1.1 litres/100km). £27,800 x 5% gives a taxable value of £1,390. Multiplying by the driver's income tax rate derives annual tax of £1,390 x 20% = £278, or £1,390 x 40% = £556.

With the average price of unleaded at £6.59/gal or £1.45/litre (March 2024), £278 will buy around 42 gallons (191 litres) for a 20% tax payer. For a 40% tax payer, it is around 84 gallons (382 litres).

Multiplying each by the BMW 750e xDrive Excellence Plug-in Hybrid's combined fuel consumption of 256.8mpg gives 10,785 miles for a 20% tax payer, or 21,571 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 2024/25.

AMAP reimbursement rates per mile 2024/25

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



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CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

The Budget announced a cut of two percentage points in National Insurance Contributions, but Class 1A NICs are still 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 2024/25. 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 xDrive M Sport Plug-in Hybrid, with a P11D price of £49,720 and WLTP CO₂ emissions of 36g/km, has a zero-emission range of 54 miles, giving a BIK tax percentage of 8% in 2024/25.

£49,720 x 8% gives a taxable value of £3,977. Multiplying by 13.8% derives annual Class 1A NIC of £549.

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 2024/25. Multiplying by the BMW 330e xDrive M Sport's 8% tax charge gives a taxable value of £2,224. Multiplying again by 13.8% gives Class 1A NIC of £307.

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**