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# THE BMW GUIDE

TO COMPANY CAR TAX SUMMER 2022





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# INTRODUCTION

The 5p/litre fuel duty cut for 12 months announced in the Budget Statement has seemingly done little to reduce record fuel prices which currently average around £1.90/litre for unleaded petrol.

Added to the introduction of the Health and Social Care Levy in April 2022, which has brought in a 1.25% rise in Class 1A NIC, from 13.8% to 15.05%, motoring costs have seldom been higher. The result is a continued surge in demand for 100% electric cars, which offer attractive tax and fuel cost savings.

On 6 April 2022/23, Benefit in Kind tax rates for drivers of 100% electric cars rose from 1% to 2% of taxable value – a negligible increase that underlines the tax and fuel cost incentives for drivers selecting zero emission models. It helps explain why some 92,500 battery electric cars were registered in the UK from January to May 2022, a 70% increase over the same period in 2021.

Other Budget announcements included rises in Vehicle Excise

Duty for cars and vans, though zero-emission cars and vans remain exempt. Increases in the Van Benefit Charge and Car and Van Fuel Benefit Charges applies from the same date, while a two-year extension until 2024/25 applies for Plug-in Van and Truck Grants.

This updated BMW Guide to Company Car Tax offers explanations and guidance to the latest developments following the Spring 2022 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 (July 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, CO<sub>2</sub> 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](http://www.BMW.co.uk) and at [www.vehicle-certification-agency.gov.uk](http://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 in the table (right).

Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to increased first-year rates.

Cars priced over £40,000 with zero emissions of CO<sub>2</sub> when driving are exempt from the additional rate until 31 March 2025.

- > **First-year rate:** Applicable to all cars registered on or after 1 April 2017, with higher rates for non-RDE2-compliant diesels.
- > **Standard rate (yr2 onwards):** £165 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price of £40,000 or less.
- > **Additional rate (yr2 onwards):** £520 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price over £40,000.

VED rates 2022/23: cars first registered after 1 April 2017					
VED Band	CO <sub>2</sub> emissions (g/km)	First year rate (£)	First year rate (diesels) (£) <sup>1</sup>	Standard rate Yr2 on (under £40,000) (£) <sup>2</sup>	Standard rate Yr2 on (over £40,000) (£) <sup>3</sup>
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

<sup>1</sup> Applies to diesel vehicles that do not meet the Real Driving Emissions Step 2 (RDE2) standard.  
<sup>2</sup> Alternative fuel vehicles, including hybrids, bio-ethanol and LPG, pay £155 a year. <sup>3</sup> Cars with a list price over £40,000, except those with zero CO<sub>2</sub> 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.





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# COMPANY CAR TAX

Company car BIK tax is based on a car's P11D price and CO<sub>2</sub> emissions. From 1 April 2022 all company cars are taxed according to WLTP CO<sub>2</sub> emissions, with the BIK percentage rates shown in the table opposite applying until 31 March 2025.

Drivers of cars with zero emissions of CO<sub>2</sub> when driving, such as battery-electric vehicles (BEV), are liable for BIK tax based on 2% of taxable value, up from 1% in 2021/22. For cars with CO<sub>2</sub> emissions of 1-50g/km, the number of miles they can drive with

zero emissions of CO<sub>2</sub> has a significant bearing on tax liabilities. For diesels that do not meet the Real Driving Emissions Step 2 (RDE2) standard, a 4% tax charge applies (shown in brackets).

**Example:** a 100% electric BMW iX M60 (pictured above) has a P11D price of £111,850 and CO<sub>2</sub> emissions of 0g/km. Its BIK band for 2022-2025 is 2%. £111,850 x 2% gives a taxable value of £2,237 and yearly BIK tax of £447 (£37/month) for a 20% tax payer, or £895 a year (£75/month) at 40%.

## Taxable percentages of P11D value: 2022 – 2025

All company cars

WLTP CO <sub>2</sub> emissions (g/km)	Zero CO <sub>2</sub> emissions range <sup>1</sup>	BIK % 2022 – 2025 <sup>2</sup>
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. <sup>1</sup>Measured in miles when driving. <sup>2</sup>Rates 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 allowance (FYA) applies to cars with zero emissions of CO<sub>2</sub> until 31 March 2025, although leasing companies are unable to claim the allowance.

The threshold between the 18% main and 6% special rates is based on CO<sub>2</sub> emissions, set at 50g/km in 2022/23. For cars with

CO<sub>2</sub> emissions of 1-50g/km, the capital allowance is 18% a year, while for cars with CO<sub>2</sub> emissions of 51g/km or more it is 6%.

A 130% 'super deduction' allowance, available until 31 March 2023, applies to expenditure on new main pool items – such as vans and charging equipment but excluding company cars – allowing tax reductions of up to 25p for every £1 invested.

Electric vans with zero emissions of CO<sub>2</sub> when driving are

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

## **Lease rental restriction**

Lease rentals can be offset against tax, with the threshold set at 50g/km of CO<sub>2</sub>. New cars with CO<sub>2</sub> emissions of 50g/km or less are eligible for 100% of payments to be offset, while only 85% is claimable for those with CO<sub>2</sub> 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 CO<sub>2</sub> emissions of 40g/km and an all-electric range of 32 miles giving a BIK tax percentage of 12% in 2022/23. Its WLTP combined fuel consumption figure is 156.9mpg. £25,300 x 12% gives a taxable value of £3,036. Multiplying by the driver's income tax rate derives annual tax of £3,036 x 20% = £607, or £3,036 x 40% = £1,214.

With the average price of unleaded at £8.57/gal or £1.88/litre (23 June 2022), £607 will buy around 70 gallons (318 litres) for a 20% tax payer. For a 40% tax payer, it is around 141 gallons (640 litres).

Multiplying each by the BMW X2 xDrive25e M Sport's combined fuel consumption of 156.9mpg gives 10,983 miles for a 20% tax payer, or 22,122 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 by the employer on the company car benefit and employer-provided fuel for private use.

In April 2022 Class 1A NIC rates rose by 1.25% – from 13.8% to 15.05% – with the introduction of the Health and Social Care Levy. From April 2023, however, the rate reverts back to 13.8%, but the Health and Social Care Levy will still apply to taxable benefits such as company cars.

## Class 1A NIC – 100% electric cars:

A BMW iX3 M Sport (above), with a P11D price of £62,810 and WLTP CO<sub>2</sub> emissions of 0g/km, has a tax charge of 2% of P11D value in 2022/23. £62,810 x 2% gives a taxable value of £1,256. Multiplying by 15.05% derives the Class 1A NIC due in 2022/23 – £189. This compares with £173 had the NIC rate remained at 13.8%. In 2023/24 the NIC rate reverts to 13.8% but the 1.25% Levy still applies, raising the amount due back to £189.

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

As electricity is not classed as a fuel there is no scale charge, so no Class 1A NIC is due. For cars with zero-emission capability, such as Plug-in Hybrids, the Fuel Benefit Charge is used, £25,300 in 2022/23, and the CO<sub>2</sub> emission-free mileage they can cover affects NIC payable in the same way as for BIK tax.

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 CO<sub>2</sub> tailpipe emissions and a zero-emission range of at least 70 miles.

Motorcycles priced up to £10,000, with zero CO<sub>2</sub> 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 CO<sub>2</sub> tailpipe emissions and a range of at least 19 miles between charges are eligible for a grant of maximum grant of £150.

Vans under 2.5t GVW with CO<sub>2</sub> 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 extended and criteria changed

Budget 2022 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 homeowners (including those with mortgages) living in flats 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**