

Electric Car

Further Clarification



What is the tax saving on an electric car?

Claiming the VAT back is one aspect. Then on the amount excluding VAT like all purchases Corporation Tax is 19% and personal tax is 7.5% or 32.5% depending on your tax bracket. So between a 26.5% and a 51.5% further saving on top of the VAT. The basic rate personal tax band is capped at £50k so earning above this are otherwise taxed at 51.5% including corporation tax if dividends are issued. An example of a Director with salary plus dividends total of £60k would pay 32.5% on £10k of these dividends and 7.5% on the remaining dividends in the basic rate band. So re-routing the money to an electric car instead of buying a petrol/hybrid/diesel vehicle personally can be extremely tax efficient as you not only save the corporation tax % but also the dividend tax %.

Can I give my employee an electric car as an employee benefit?

Yes, you can give your employee an electric car as an employee benefit if you so wish.

Claiming the VAT back

Buying a new car

You may be able to reclaim all the VAT on a new car if you use it only for business.

The car must not be available for private use, and you must be able to show that it is not, for example it's specified in your employee's contract.

'Private use' includes travelling between home and work, unless it's a temporary place of work. You may also be able to claim all the VAT on a new car if it's mainly used:

- as a taxi
- for driving instruction
- for self-drive hire

Leasing a car

If you lease a car, you can usually **claim 50%** of the VAT. You may be able to reclaim all the VAT if the car is used only for business and is not available for private use, or is mainly used:

- as a taxi
- for driving instruction

Buying a new car VAT