



Is now a good time to buy an electric company car

The “car benefit” charge has been generally based on co2 emissions – the lower the emissions, the lower the benefit charge. The calculation is based on the “list price” of the car (which includes optional extras, VAT and delivery charges) when new, even if the car was bought second-hand. Diesel cars potentially suffer a higher % charge than petrol cars.

Some companies will pay for fuel for any private motoring as well as business miles. This is calculated as a percentage of a notional figure each year.

A yearly exercise that ought to be carried out is a comparison of the potential cost of paying for own fuel compared to the tax payable on the benefit. In addition to the tax costs incurred by the employee above, the company has a “Class 1A national insurance” charge to pay too – This is 13.8% of the total benefit. In recent years, the calculation has been complicated by the hybrid vehicles appearing which run on fuel and electric.

Some of these are treated in the same way as ordinary fuel powered vehicles, but those with a defined electric range in miles are being encouraged with lower tax charges. Further complications in the calculations depend on the date of registration – pre or post 6 April 2020.

So, what is changing? For fully electric and those with an electric range, the standard benefit in kind on the vehicle itself was 16% of the list price in the 2019/20 tax year. For a standard Tesla 3 the P11D value is £40,840. For a 20% taxpayer this is a benefit of £6534 and £1307 p.a. tax payable. The company pays £902 in Class 1A NI.

However, for the 2020/21 tax year, the benefit in kind reduces to 0%. Zero! Nothing! In the following tax year, it is 1% and 2% the year after. Costs are therefore:

YEAR	EMPLOYER	EMPLOYEE 20%	EMPLOYEE 40%
2019/20	£902	£1,307	£2614
2020/21	0	0	0
2021/22	£56	£82	£164
2022/23	£112	£164	£328

What’s more, the company is entitled to a 100% tax allowance – that’s £40k+ allowable against company profits. (However, there may be a clawback when the car is sold depending on the company policy for replacing cars). Note that this 100% allowance applies to other cars too – those with less than 50g/km of CO2 emissions.

What about the running costs?

The cost of charging an electric car depends on where it is charged – at a public charging station? Standard or super-charger? At home? At work? Similarly, the cost of petrol or diesel will fluctuate, and it will depend greatly on the vehicle itself. There are many websites where you can compare the costs.

As an example, [this website](#) below, a comparison was run of a Tesla 3 against a Lexus IS petrol hybrid. This gave indicative fuel costs of 4.8p per mile for the Tesla and 11.2p per mile for the Lexus.

Based on 10000 miles per annum, this is a saving of £640 p.a. Other cars will give more significant savings, and there will be others where the gap is much less.

A downside though is that electric cars are still very much an evolving technology and are more expensive to buy in the first instance. The OTR prices of the cars compared above are £39,490 for the Tesla and £33,200 for the Lexus. The Lexus would not qualify for 100% tax allowances though.

The Government is committed to reducing CO2 emissions, and the lower taxes on low emission cars is one way of trying to achieve this. The Tesla website gives a live update of the tons of CO2 saved by using their cars – this stood at 3,569,273.75 tons in mid-February 2020.

For many years, the car benefit charges have been increasing, but the significant changes in the tax regime from April 2020 means the focus is surely going to shift to more company cars again.