



62 The Street
Ashted
Surrey
KT21 1AT

T: 01737 844322 F: 01737 844162
Email: david@dbeckman.com

David Beckman & Co Ltd
Chartered Accountants & Chartered Tax Advisers

Car Benefit – 2022/23

1. Introduction

If your employer provides you with a car and it is available for private use, however small, this is a benefit in kind. Travel between home and work is considered private use.

There can be a benefit on:

- a) A car that is provided for private use (however incidental the private use is); and/or
- b) The petrol or diesel, if the company pays for any private fuel.

See further below for how these benefits work.

2. Amount of the Car Benefit

The benefit is effectively additional gross salary for the year. You will pay tax on this at your marginal rate of tax, currently 20%, 40% or 45%. The amount of the benefit or additional salary is:

- The list price of the car when new (this includes the cost of optional extras, delivery charges and VAT, but excludes the road fund licence and the first registration fee).

X (MULTIPLIED BY)

- a percentage based on:
 - o the carbon dioxide (CO₂) emissions from your particular model of car; and
 - o where CO₂ emissions are low, also on the number of miles you can drive when powered purely using electric.

The appropriate percentage for a petrol-powered car to be applied to the list price is set out below:



Registered in England Registered Number: 04744238
Registered Address: 62 The Street, Ashted, Surrey, KT21 1AT
Regulated by the Institute of Chartered Accountants in England & Wales for a range of investment business activities
Registered with the Chartered Institute of Taxation as a firm of Chartered Tax Advisers

Director: David John Beckman
MA (Cantab) FCA CTA FPC

VAT No: 812 3468 46



Hybrid benefit charges

Benefit-in-kind percentages for hybrid cars.

- Percentages for cars first registered before 6 April 2020 are shown in black.
- Percentages for cars first registered after 6 April 2020 are shown in red.

CO2 (g/km)	Electric range (miles)	2020-21 (%)	2021-22 (%)	2022-23 (%)
0	N/A	0	1	2
1 - 50	More than 130	2	2	2
1 - 50	70 - 129	5	5	5
1 - 50	40 - 69	8	8	8
1 - 50	30 - 39	12	12	12
1 - 50	Less than 30	14	14	14
51 - 54		15	15	15
55 - 59		16	16	16
60 - 64		17	17	17
65 - 69		18	18	18
70 - 74		19	19	19
75 - 79		20	20	20
80 - 84		21	21	21
85 - 89		22	22	22
90 - 94		23	23	23
95 - 99		24	24	24
100 - 104		25	25	25
105 - 109		26	26	26
110 - 114		27	27	27
115 - 119		28	28	28
120 - 124		29	29	29
125 - 129		30	30	30
130 - 134		31	31	31
135 - 139		32	32	32
140 - 144		33	33	33

145 - 149	34	32	34	33	34	34
150 - 154	35	33	35	34	35	35
155 - 159	36	34	36	35	36	36
160+	37	-	37	-	37	-
160 - 164	-	35	-	36	-	37
165 - 169	-	36	-	37	-	37
170+	-	37	-	37	-	37

Diesel Cars: Diesel cars that are not RDE2 standard suffer a 4% supplement charge on the above figures but are still capped at 37%.

Additional Notes:

- The list price of the car will be reduced (before applying the percentage given by the CO2 emissions) where you contribute towards the capital cost of the car (up to a maximum contribution of £5,000);
- The calculated benefit (after applying the percentage given by the CO2 emissions) will be reduced where you pay the company for the private use of the car – this only applies where it is a condition of the car being made available for private use that you have to pay a sum of money for that private use. The taxable benefit in kind can't be reduced to less than nil; and
- The benefit will also be reduced where the car is unavailable for part (must be at least a whole month) of the tax year.

If you would like to see what the taxable benefit in kind is going to be, click here <https://www.gov.uk/calculate-tax-on-company-cars> and then click on the highlighted words [company car and car fuel benefit calculator](#), then plug in your data and get an answer.

What about a Pool Car – doesn't this avoid having a taxable benefit in kind?

It's tempting to think that if a car is generally available to anyone who needs to drive it, it must be a pool car and therefore not taxable as a benefit in kind on anyone. Sadly, this is not often true. To be exempt, the car must be one which is:

- Actually used by more than one employee or director;
- Not ordinarily used by one employee or director to the exclusion of all others;
- Not normally kept overnight at or near the home of a director or employee (except where it's kept overnight on premises occupied by the employer); **AND**
- Not used by anyone for private (including home-to-work) travel at all (except for private use which is "incidental" to business use, such as taking a car home overnight in readiness for a business trip starting very early the next day)

The rules are notoriously and strictly applied. Be prepared to prove, if challenged, that they are met.

3. Car Running Costs

If the car is provided by a company, the company can put all the car running costs, except petrol/diesel receipts, through the profit and loss account, thus saving corporation tax at 19%, 26.5% or 25% on these costs.

The costs which can be claimed include:

- Servicing and maintenance
- Insurance
- Road Fund Licence
- AA or RAC costs

4. What about Petrol/Diesel Costs?

If you put petrol or diesel receipts through the company accounts, you will be taxed on a “Fuel Benefit” as well as the car benefit. This is because it is deemed that the fuel is used for private as well as business mileage. The fuel benefit is also treated as additional gross salary and taxed at your marginal tax rate.

The fuel benefit is a fixed amount dependent on 2 factors:

- a) A fixed amount of £25,300 for 2020/21 (£24,600 for 2020/21)

X - MULTIPLIED BY

- b) The same percentage based on CO2 emissions from your car, as for the car benefit.

Thus, a diesel car registered in 2019 with a CO2 emission of 140 would have the following additional income:

$$£25,300 \times 37\% (32\% + 4\% \text{ supplement} = 36\%) = \mathbf{£9,108}$$

For a basic rate 20% taxpayer, this means additional tax of £1,821.60.

For a higher rate 40% taxpayer, this means additional tax of £3,643.20.

The fuel “benefit” is rarely worth having

In order to make the fuel benefit worth having, you would need to drive a huge number of private miles a year in the company car. In the Appendix, I have set out the calculations you can go through to consider the true annual cost of private petrol and whether it is a benefit worth having.

It is quite easy to avoid the penal fuel benefit. To avoid the penal fuel benefit, you must ensure that no petrol/diesel receipts are put through the accounts. If by accident, any receipts do go through the accounts, all these items should be treated as private payments within the company accounts. Alternatively, you will need to reimburse the full cost of all private petrol to your employer. This is an onerous test. If just one gallon of petrol remains paid for by your employer, you will still be taxed on the full fuel benefit.

However, instead of claiming actual petrol/diesel costs, you can claim a pence per business mile (between 9 pence and 20 pence per mile depending on cc capacity and whether petrol or diesel) using HMRC’s published “advisory fuel rates” which are set out on their website –see link <https://www.gov.uk/government/publications/advisory-fuel-rates>

These advisory fuel-only rates are changed regularly (usually every 3 months) as petrol prices change. Note these advisory rates are entirely different from the approved mileage rates published by HMRC for business use of personally owned cars (see 8. below for these details).

5. Are there any other tax costs of the car and fuel benefits?

Yes. The employer has to pay 13.8% of the benefit amount each year. This is called Class 1A National Insurance. It is simply a form of tax on the employer.

This is reported through the company forms P11D(b) and P11D. We may need to charge you more in fees to produce the forms P11D where there is a taxable benefit to be reported compared to a nil P11D (b).

6. Capital Allowances on Cars

In addition to getting tax relief on the running costs of the car, tax relief can be obtained on the capital/purchase cost. This relief is through “Capital Allowances” which take the place of commercial depreciation.

The current rates of allowances are also determined by the car’s CO2 emissions as follows:

CO2 Emissions	Capital Allowances Available	Allowance Due
0 g/km	First Year Allowance - but only if car is new or unused	100%
0 g/km – 51 g/km	Expenditure goes into the main “plant & machinery” pool (unless for a sole trader or partner where there is private use) with annual “Writing Down Allowances” (WDAs)	18%
Above 51 g/km	Expenditure goes into a special rate pool (unless for a sole trader or partner where there is private use) with annual WDAs	6%

For details of the vast range of low CO2 emission cars now available, go to <https://carfueldata.vehicle-certification-agency.gov.uk/> .

To view your cars CO2 emissions etc click here: [Find fuel consumption and emissions information on a new or used car.](#)

The 100% tax relief on the full capital cost (but as mentioned, only for a new or unused car with emissions of 0 g/km), combined with the 0% or very low benefit in kind charge, now makes the car benefit charge worthwhile.

A new electric car with C2 emissions of 0 which costs say £35,000 will save 19% corporate tax in the accounting period of purchase – namely save £6,650. Thus, the real cost of purchase is in effect only £28,350. All the running costs of the car, such as insurance, repairs, breakdown cover etc can also be put through the business. There is no fuel benefit at all for the cost of recharging a fully electric company car. Moreover, the Workplace Charging Scheme provides a grant for a business to reduce the cost of having an EV charge point installed at its premises.

Note that when you come to sell the car, if it is still a company asset, the company will then pay corporation tax at 19% on the selling price. This effectively means that over the period when the car is in the company’s books, the company gets tax relief on the difference between the original cost and eventual selling price.

Cars owned by sole traders or partnerships that have an element of non-business use, are dealt with in a single asset pool to enable a “private use” adjustment to be made.

Car or van?

It is important to distinguish between a car and a van because the above rules only apply to cars. Expenditure on vans qualifies for the annual investment allowance whereby the company gets a full 100% deduction against its business profits for the cost of the van, regardless of the cost or emission levels. A VAT registered business which buys a van will usually also be able to recover all the VAT on the cost of the van.

For capital allowances, a car is defined as a mechanically propelled vehicle except a vehicle:

- a) constructed in such a way that it is primarily suited for transporting goods of any sort, or
- b) of a type which is not commonly used as a private vehicle and is not suitable for use as a private vehicle.

For VAT purposes a vehicle which can legally carry a payload of 1 tonne or more is treated as a van. Thus, "dual status" vehicles, such as some 'double cab' pick-ups can enable you to recover the VAT, as well as getting 100% tax relief on the capital cost. However, the vehicle can still be treated as a car for benefit in kind purposes so do contact us if you are buying a vehicle that purports to be a van but is also clearly capable of carrying passengers, say with some rear seats too.

7. Leasing a Company Car?

For cars leased, as opposed to purchased, there is a fixed 15% disallowance of relevant lease payments for cars with emissions above 110 g/km.

If you enter into an operating lease, you don't get the 100% tax relief on cost price – this is because the car never becomes yours and so is not an asset of your company. Instead, the full costs, exclusive of 50% of the VAT, goes through the profit and loss account as a cost of the business and reduces the profits and in turn the corporation tax by 20% (assuming CO2 emissions of less than 110 gram/km). Only 50% of the VAT is usually recoverable. The non-recoverable 50% of VAT is deemed to cover any VAT relating to any private use of the car. With operating leases, you can select whether the lease payments include ongoing maintenance/servicing or not. Other costs such as insurance can go through the profit and loss account as well and are allowable in full. Re fuel/diesel costs, you are best advised to claim HMRC's advisory rates rather than put through actual receipts (see 4. above).

If it is a lease purchase or HP purchase, or purchase with cash or via a bank loan, and the terms of the agreement state that the company actually acquires the car at the end of the lease or HP purchase term, then we capitalise the car in full on day 1, despite the car not being paid for in full then. This means you do get the 100% tax relief on the cost price where the CO2 emissions are 50 or less gram/km.

Beware if you lease a car for your use and you reimburse the company every penny of the leasing cost - you still end up having a taxable benefit - irrational and illogical, but true. A number of tax cases have demonstrated that in such cases the appropriate "scale charge" benefit remains in place. At best, the taxable benefit is reduced pound for pound by the amount you reimburse, but even that reduction should not be taken for granted and is dependent on your jumping through some hoops. The sting in the tail is that, in general, the "scale charge" for a car is nowadays likely to exceed the cost of leasing it - so even if you reimburse the full leasing cost it is likely that you will be left with some residual charge to tax.

8. Alternative to a Company Car

The alternative to putting a car through the company is simply to claim 45 pence per mile for the first 10,000 business miles in a tax year and 25 pence per mile on miles in excess of the 10,000 for using your own personal car for business.- see here <https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax>. This is simple and straightforward - the pence per mile that is

paid is tax deductible for the company, thus saving corporation tax at 20%. The receipt of the pence per mile by you as director/employee is not subject to tax in your hands.

The 45 pence per business mile is meant to cover all running costs of your own car, namely insurance, maintenance, MOT, Road Fund Licence, petrol/diesel and depreciation. Thus, 45p per mile is probably inadequate where you have a larger car which is not particularly fuel-economic. The 45p per mile may mean you make a small profit where you run a smaller, more fuel-economic car.

9. Conclusion

In general, it is now quite beneficial to put a new/unused low Co2 emission car through the company to achieve 100% tax relief on the capital purchase and possibly a 1% taxable benefit on you personally.

However, for older cars with higher CO2 emissions, the high personal and company tax payable on the car benefit generally mean the car should be bought and run personally.

Payment of higher dividends out to you as shareholders, or the company offering a cheap or interest free loan to you are the ways to help you purchase a car personally.

The fuel benefit charge is rarely worth having and can be avoided if you use the advisory rates (if a non-fully electric company car) or the approved rates (45p per mile for cars owned personally). Note too that fully electricity used to recharge electric cars is not treated as a fuel and so does not trigger any type of fuel benefit charge.