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# Company Car Tax Spring 2022

A guide to the Government Spring Statement 2022 for fleet decision-makers



## Introduction

A fuel duty cut of 5p/litre for 12 months was the headline news in the Spring 2022 Budget Statement, and one that's expected to reduce the cost of filling a typical 55-litre tank by around £3.30 (inc VAT).

The Health and Social Care Levy, as announced in the 2021 Budget, applies from April 2022 and brings with it a 1.25% rise in Class 1A NIC rates from 13.8% to 15.05%. In April 2023, the rate reverts to 13.8%, but the Levy still applies to taxable benefits such as company cars.

Elsewhere, drivers of 100% electric cars with CO<sub>2</sub> emissions of 0g/km see BIK tax rates rise from 1% to 2% from 05 April. The rise is unlikely to stem sales of 100% electric cars, however. Almost 25,000 battery-electric models were registered in the UK in January and February 2022, a 154% increase over the same period in 2021, underlining the cost incentives for drivers selecting zero emission cars.

Other announcements include a Retail Price Index-linked rise in Vehicle

Excise Duty for cars and vans from 01 April 2022, with zero-emission cars and vans remaining exempt. An increase 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, with changes to driver eligibility criteria also announced.

This Spring 2022 Alphabet Guide to Company Car Tax offers guidance to the findings and announcements from the Spring Budget Statement.



# Vehicle Excise Duty

Vehicle Excise Duty (VED) rates for 2022/23 are subject to a Retail Price Index-based rise, shown in the tables (right).

Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to increased first-year rates, unless they are already in the highest band. Cars priced at 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 after 01 April 2018, with increased 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 for five years):** £520 – cars with CO<sub>2</sub> emissions of 1g/km or more with a list price over £40,000

## Vehicle Excise Duty: cars registered on or after 01 April 2017

2022/23				
CO <sub>2</sub> emissions (g/km)	First year rate (compared with 2021/22)	First year rate for diesel cars (compared with 2021/22) <sup>1</sup>	Standard rate (Yr2 on for cars with list price of £40,000 or less) <sup>2</sup>	Additional rate (Yr2 on for cars with list price of over £40,000) <sup>3</sup>
0	£0 (+£0)	£0 (+£0)	£0	£0
1-50	£10 (+£0)	£25 (+£0)	£165 (+£10)	£520 (+£30)
51-75	£25 (+£0)	£115 (+£5)	£165 (+£10)	£520 (+£30)
76-90	£120 (+£5)	£150 (+£10)	£165 (+£10)	£520 (+£30)
91-100	£150 (+£10)	£170 (+£10)	£165 (+£10)	£520 (+£30)
101-110	£170 (+£10)	£190 (+£10)	£165 (+£10)	£520 (+£30)
111-130	£190 (+£10)	£230 (+£10)	£165 (+£10)	£520 (+£30)
131-150	£230 (+£10)	£585 (+£30)	£165 (+£10)	£520 (+£30)
151-170	£585 (+£30)	£945 (+£50)	£165 (+£10)	£520 (+£30)
171-190	£945 (+£50)	£1,420 (+£75)	£165 (+£10)	£520 (+£30)
191-225	£1,420 (+£75)	£2,015 (+£105)	£165 (+£10)	£520 (+£30)
226-255	£2,015 (+£105)	£2,365 (+£120)	£165 (+£10)	£520 (+£30)
Over 255	£2,365 (+£120)	£2,365 (+£120)	£165 (+£10)	£520 (+£30)

<sup>1</sup> Applies to diesel vehicles that do not meet the Real Driving Emissions Step 2 (RDE2) standard. <sup>2</sup> Alternative fuel vehicle, including hybrids, bioethanol and LPG, pay £155 a year. <sup>3</sup> Cars with a list price over £40,000, except those with zero emissions of CO<sub>2</sub> when driving, pay an additional rate of £355 a year on top of the standard rate for five years. 2022/23 rates apply from 01 April 2022

## Vehicle Excise Duty: rates for cars registered on or after 01 March 2001

VED band	CO <sub>2</sub> emissions (g/km)	2022/23 standard rate (increment over 2021/22)
A	Up to 100	£0 (+£0)
B	101-110	£20 (+£0)
C	111-120	£30 (+£0)
D	121-130	£135 (+£5)
E	131-140	£165 (+£10)
F	141-150	£180 (+£10)
G	151-165	£220 (+£10)
H	166-175	£265 (+£15)
I	176-185	£290 (+£15)
J	186-200	£330 (+£15)
K <sup>1</sup>	201-225	£360 (+£20)
L	226-255	£615 (+£30)
M	Over 255	£630 (+£30)

<sup>1</sup> Figures in brackets show comparison with 2021/22. Includes cars emitting over 225g/km registered before 23 March 2006. 2022/23 rates apply from 01 April 2022



# Company Car Tax

Company car Benefit-in-Kind (BIK) tax is based on a car's P11D price and emissions of CO<sub>2</sub>.

From 01 April 2022 drivers of all company cars are taxed according to WLTP CO<sub>2</sub> figures, with the appropriate BIK tax percentages 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 P11D value, up from 1% in 2021/22.

For cars with CO<sub>2</sub> emissions of 1-50g/km, for example Plug-in Hybrids, the number of miles they can drive with zero emissions of CO<sub>2</sub> has a significant bearing on tax liabilities with percentages calculated on the basis of their zero CO<sub>2</sub> emissions range.

For diesels that do not meet the Real Driving Emissions Step 2 (RDE2) standard, a 4% tax charge applies (shown in brackets).

CO<sub>2</sub> emissions information for all cars is available from the Vehicle Certification Agency at [www.vehicle-certification-agency.gov.uk](http://www.vehicle-certification-agency.gov.uk)

Taxable percentages of P11D value: all company cars

WLTP CO <sub>2</sub> emissions (g/km)	Zero CO <sub>2</sub> emissions range <sup>1</sup>	2022 – 2025
		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 tax charge. <sup>1</sup>In miles when driving. <sup>2</sup>Rates apply until 31 March 2025



# Capital Allowances

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 CO<sub>2</sub> emissions, set at 50g/km from April 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%.

## 100% first year allowance

A 100% first-year allowance (FYA) applies to cars with zero emissions

of CO<sub>2</sub> until April 2025, but leasing companies are excluded. A 100% FYA is also available until 31 March 2023 for companies investing in electric vehicle charge points in the workplace. 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 Plug-in Van Grant (PiVG) has not also been claimed. All other vans are eligible for an 18% annual allowance.

A 130% capital allowance 'super deduction', effective from 01 April 2021 to 31 March 2023, applies in the first year to expenditure on new

main pool items, such as vans and charging equipment but excluding company cars, allowing tax cuts of up to 25p for every £1 invested.

## Lease rental restriction

Lease rentals can be offset against tax, with the threshold set as for special rate capital allowances 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 lease payments to be offset against tax, while only 85% is claimable for those with CO<sub>2</sub> emissions of 51g/km or more.



# Fuel Allowances

## The private fuel benefit

BIK tax is payable by drivers receiving employer-provided private fuel (petrol and diesel, including hybrids) for private mileage in a company car. To calculate the tax, the Government Fuel Benefit Charge (FBC) is used, set at £25,300 in 2022/23. As electricity is not classed as a fuel, there is no fuel scale charge applied to 100% electric cars and no BIK tax is due.

## Example: calculating BIK tax due on private fuel

A BMW X2 xDrive25e M Sport Plug-in Hybrid has CO<sub>2</sub> emissions of 40g/km 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. Multiplied by the driver's income tax rate, it derives annual tax of £3,036 x 20% = £607 or £3,036 x 40% = £1,214.

With the average price of unleaded at £7.27/gal or £1.60/litre (23 March 2022), £607 will buy around 83 gallons (377 litres) for a 20% tax payer; for a 40% tax payer, it is around 167 gallons (759 litres).

Multiplying each by the BMW X2 xDrive25e M Sport's combined fuel consumption of 156.9mpg gives 13,022 miles for a 20% tax payer, or 26,202 miles for a 40% tax payer – the minimum private mileages you need to cover to make the private fuel benefit worthwhile.

## Personal car used for business mileage

The HMRC-approved mileage allowance payments (AMAPs) – the tax-free amounts claimable by a driver using his/her own car for business mileage reimbursement – are shown below for 2022/23.

### Approved Mileage Allowance Payment (AMAP) rates 2022/23

Petrol/Diesel cars		100% electric cars
Up to 10,000 miles	Over 10,000 miles	
45p	25p	5p



# Class 1A National Insurance Contributions

Class 1A NICs are payable by the employer on the company car benefit and employer-provided 'free' fuel for private use. From April 2022 Class 1A NIC rates rise 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 Levy will still apply to taxable benefits such as company cars. For hybrids,

the zero-emission mileage the car can travel affects NIC payable in the same way as for BIK tax. As electricity is not a fuel there is no scale charge and 100% electric cars are NIC-exempt in 2022/23.

## Class 1A NIC – petrol, diesel and hybrid cars

A BMW 330e M Sport Plug-in Hybrid, with a P11D price of £43,380 and WLTP CO<sub>2</sub> emissions of 31g/km, has a tax percentage of 12% of

P11D value in 2022/23.  $£43,380 \times 12\%$  gives a taxable value of £5,206. Multiplying by 15.05% derives annual Class 1A NIC of £783.

## Class 1A NIC – private fuel (petrol, diesel and hybrid cars)

For private fuel, the Fuel Benefit Charge – £25,300 in 2022/23 – applies. Multiplying by the BMW 330e M Sport's 12% tax charge gives a taxable value of £3,036. Multiplying by 15.05% derives Class 1A NIC of £457.



# Commercial Vehicles

## Company owned vans: BIK tax

Zero emissions vans are exempt from BIK tax in 2022/23. In 2022/23 the Van Benefit Charge (VBC) for drivers of company vans using their vehicles for private mileage is set at £3,600, and the VBC for fuel for private use is set at £688.

	2022/23
<b>Monthly BIK tax (ex fuel)</b>	£60.00/£120.00
<b>Monthly BIK tax (inc fuel)</b>	£71.47/£142.93

Figures shown for 20%/40% tax payers

## Company owned vans: Class 1A NIC

Zero emission vans are exempt from annual Class 1A National Insurance Contributions in 2022/23. For other vans, NICs are based on the Van Benefit Charge – £3,600. The amounts due are calculated by multiplying the VBC by 15.05%, with the rates shown shown below.

	2022/23
<b>Annual Class 1A NIC (ex fuel)</b>	£542.00
<b>Annual Class 1A NIC (inc fuel)</b>	£645.00

## Company owned vans: Vehicle Excise Duty

VED rates for vans in 2022/23 are shown below. The consultation on reforming VED to incentivise drivers to make the cleanest choice of a new van closed in September 2020, although no further detail has yet been released.

	2022/23
<b>Euro 4 and 5 vans registered after 01 March 2001</b>	£140
<b>All other vans registered on or after 01 March 2001</b>	£290

2022/23 rates apply from 01 April 2022



## Plug-in Grants

Plug-in Grants for cars apply to those costing £32,000\* or less, with zero emissions of CO<sub>2</sub> at the tailpipe and a range of at least 70 miles.

The Government's **Ten Point Plan for a Green Industrial Revolution** states that new petrol and diesel car and van sales will end by 2030 except for hybrids with a significant zero tailpipe emission range.

**Plug-in Grant-eligible cars:** Cars priced at £32,000\* or less with zero CO<sub>2</sub> tailpipe emissions and a range of at least 70 miles are eligible for a grant of up to £1,500. Cars converted to wheelchair accessible costing less than £35,000\* are eligible for a grant of up to £2,500. 1,000 are available between 01 April 2022 and 31 March 2023.

**Vans:** 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 2.5-3.5t GVW receive a grant of up to £5,000.

For commercial vehicles of 3.5-12.0t GVW, CO<sub>2</sub> emissions of at least 50% less than the equivalent conventional Euro VI vehicle and the same load capacity, and which can travel at least 60 miles with zero emissions the grant is up to £16,000, capped at 20% of the price.

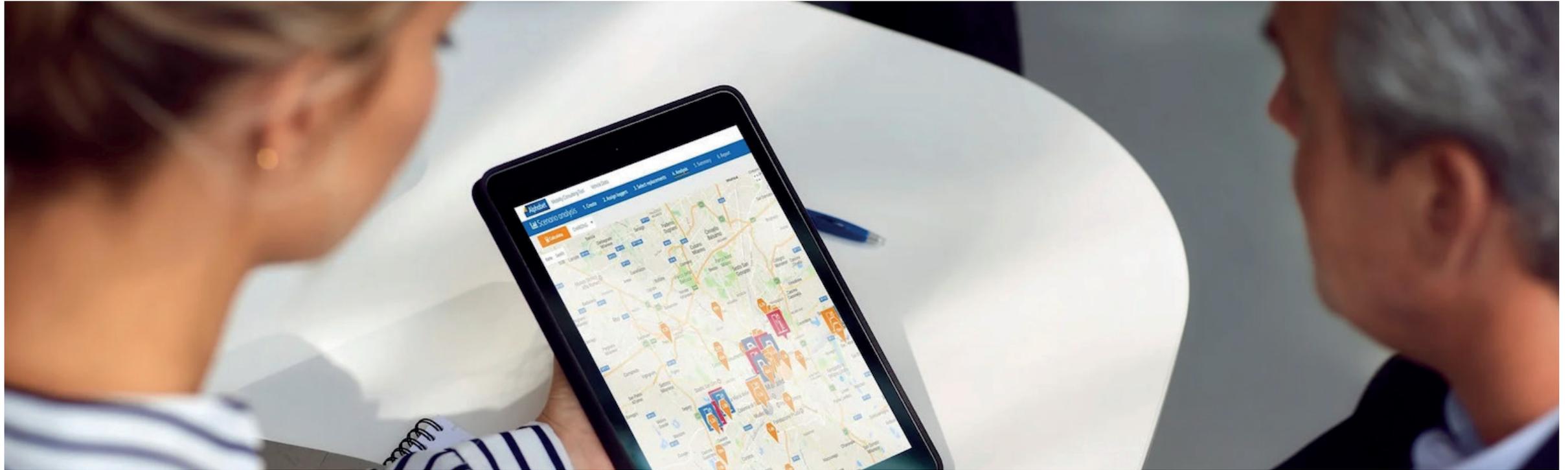
**Plug-in Van Grant extended and criteria changed:** Budget 2022 confirmed that Plug-in Van and Truck Grant availability is extended for two extra years until 2024/25.

On 01 April 2022, the threshold for the small truck grant of up to £16,000 increases from 3.5t to 4.25t GVW, and vans up to 4.25t are eligible for a grant of £5,000. Drivers with a standard car licence can also drive electric vans up to 4.25t, compared with 3.5t for diesel vans.

**Workplace Charging Scheme:** The WCS reduces the cost of a new workplace charging station by 75%, capped at £350 per socket, up to a maximum 40 single sockets or 20 double sockets. All ULEVs are eligible for the **Electric Vehicle Homecharge Scheme (EVHS)** grant, capped at £350 inc VAT in 2022/23.

Go to the Office for Zero Emission Vehicles for more details [here](#).

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