

Understanding Benefit in Kind.



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What is Benefit in Kind?

When organisations provide a car as a benefit to their employees, HMRC class it as a Benefit in Kind (BiK) and as a result, drivers need to pay a company car tax.

Our online quotation system will automatically calculate the correct BiK value of the car you've chosen based upon the CO2 emissions, additional options, fuel type, P11D value and applicable tax rate according to the salary you've entered in the system. It will also take into account whether or not the car has an electric battery as these cars have a significantly lower Benefit in Kind amount compared to fossil fuelled cars.

For electric cars, Benefit in Kind is only 4% until April 2027, rising up to 5% in April 2028 and then 2% each year until 2029/30. This means you can make considerable tax savings when choosing an ultra low emission vehicle.



How is Company Car Tax Calculated?

All taxable benefits have to be valued so HMRC can determine the correct amount of tax to be charged. Some employee benefits will have a specific value but with a car, the tax is based on the ‘use’ of the car so is calculated differently to other benefits.

Under 75 g/km

CO ₂ emissions sub 75 g/km	Electric range (miles)	Percentage of Taxable list price			
		2026/27	2027/28	2028/29	2029/30
0		4	5	7	9
1 – 50	≥130	4	5	18	19
1 – 50	70 – 129	7	8	18	19
1 – 50	40 – 69	10	11	18	19
1 – 50	30 – 39	14	15	18	19
1 – 50	<30	16	17	18	19
51 – 54		17	18	19	20
55 – 59		18	19	20	21
60 – 64		19	20	21	22
65 – 69		20	21	22	23
70 – 74		21	21	22	23

Cars with less than 75g/km of CO₂

For Ultra Low Emission Vehicles (ULEVs), which are cars with CO₂ emissions less than 75g/km, you will pay tax on the Benefit in Kind value. This value is determined by the car’s P11D value (list price, including extras and VAT, but without the first year registration fee and vehicle tax) and then multiplied by the BiK rate which is based on the CO₂ emissions and fuel type.

This figure is then multiplied by your tax rate (basic, higher or additional rate tax payer) to calculate the annual amount of company car tax to be paid.

Cars with 75g/km of CO₂ and above

For cars with CO₂ emissions above 75g/km, the taxable benefit is calculated based on the higher value of either the gross salary sacrifice amount or the Benefit in Kind value.

Where can I see the Benefit in Kind value?



Our online quotation system will automatically calculate the correct BiK value of the car you've chosen based upon the CO2 emissions, additional options, fuel type, P11D value and applicable tax rate according to the salary you've entered in the system. It will also take into account whether or not the car is a ULEV.

We'll also display the 'Net Amount' (which is the impact on your take home salary) for the next three years.

You can visit the online system to run a quote, or if you have already had your car delivered, you can still view your car details under the 'My Account' menu once you've logged in to the system.

When contacting HMRC about your car, you may also be asked if you're making any personal contributions towards your vehicle. As HMRC view salary sacrifice as a reduction in salary and not a personal contribution, you'll need to answer 'no' to this question to ensure you are charged correctly.

How do HMRC collect Company Car Tax?

There are two main ways of paying company car tax and it's important you check with your employer as to which will apply as this will affect whether you need to contact HMRC to advise them about your car.

Deduction (tax) at source - this means it's deducted directly from your salary by your employer and you won't need to notify HMRC.

Via PAYE coding notice - HMRC will collect your company car tax by issuing you with an amended PAYE Coding Notice, which means that the tax generated by the Benefit in Kind will reduce your personal tax free allowance.

If your employer doesn't deduct at source then HMRC need to be notified that you have this employee benefit. If the tax is not collected via your tax code for the year the benefit is received, it could mean an underpayment of tax which will be due the following tax year.



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We'd love to hear from you.

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