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# COMPANY CAR TAX. SPRING 2021.

A GUIDE TO THE SPRING 2021 BUDGET FOR FLEET DECISION MAKERS.





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# INTRODUCTION.

Budget 2021 was dominated by the Government’s responses to the COVID-19 pandemic, but there were were some significant changes announced to company car taxation, as well as changed criteria and a cut in the Plug-in Car Grant (PiCG).

Drivers of new cars with CO2 emissions of 50g/km or less and a zero-emissions range of 130 miles or more attract BIK tax at 1% of P11D value from 6 April 2021 to 5 April 2022. The 1% rate rises to 2% on 5 April 2022 but remains at that level

until 5 April 2025, making a strong case for company car drivers to select a car with zero CO<sub>2</sub> emission capability when driving prior to the UK-wide ban on sales of all new petrol and diesel cars (except for some hybrids) in 2030.

Elsewhere, the Plug-in Car Grant now faces a £35,000 price cap with the maximum grant reduced to £2,500. A Retail Price Index-linked rise in Vehicle Excise Duty for cars and vans sees a modest increase, but zero-emission vehicles

when driving remaining exempt. A Consumer Price Index-related increase in Vehicle Benefit Charges for employer-provided ‘free’ fuel and BIK tax for company-owned vans used for private mileage, as well as a rise in VED for vans, joins a freeze on petrol and diesel duty for the 11th consecutive year.

This MINI Guide to Company Car Tax examines the findings from Budget 2021 on 3 March, and offers explanations and guidance to the company car tax system.

**Disclaimer:** The information provided in this Guide is for general information purposes only and is correct to the best of our knowledge at the time of publication (March 2021). While we have made every effort to ensure the information in this document is accurate, neither MINI (UK) Ltd nor the author can be held responsible for any actions or consequences arising from acting on, or refraining from taking any action, as a result of reading this. You should seek your own independent financial advice in relation to any taxation or accounting matters referred to in this document. Figures for fuel consumption, CO<sub>2</sub> emissions and energy consumption for individual models are shown for comparability purposes. These figures may not reflect real life driving results, which will depend upon a number of factors including accessories fitted (post registration), variations in weather, driving styles and vehicle load. Figures for electric vehicles and plug-in hybrid vehicles were obtained after the battery had been fully charged. Figures for plug-in hybrid vehicles were obtained using a combination of battery power and fuel. More information is available at [www.MINI.co.uk](http://www.MINI.co.uk) and at [www.vehicle-certification-agency.gov.uk](http://www.vehicle-certification-agency.gov.uk).



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# VEHICLE EXCISE DUTY.

Vehicle Excise Duty (VED) rates for 2021/22 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.

The Budget confirmed that 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 new cars registered on or after 1 April 2018, with increased rates for non-RDE2-compliant diesels.

– **Standard rate (yr2 onwards):** £155 – 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):** £490 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price over £40,000.

# VEHICLE EXCISE DUTY.

RATES FOR NEW CARS IN 2021/22.

CARS REGISTERED ON OR AFTER 1 APRIL 2017.				
CO <sub>2</sub> EMISSIONS (G/KM)	2021/22 FIRST YEAR RATE (COMPARED WITH 2020/21)	2021/22 FIRST YEAR DIESEL RATE (COMPARED WITH 2020/21) <sup>1</sup>	STANDARD RATE (YR2 ON FOR CARS WITH LIST PRICE OF £40,000 OR LESS)	ADDITIONAL RATE (YR2 ON FOR CARS WITH LIST PRICE OVER £40,000) <sup>2</sup>
0	£0 (+£0)	£0 (+£0)	£0	£0
1-50	£10 (+£0)	£25 (+£0)	£155 (+£5)	£490 (+£15)
51-75	£25 (+£0)	£115 (+£5)	£155 (+£5)	£490 (+£15)
76-90	£115 (+£5)	£140 (+£5)	£155 (+£5)	£490 (+£15)
91-100	£140 (+£5)	£160 (+£5)	£155 (+£5)	£490 (+£15)
101-110	£160 (+£5)	£180 (+£5)	£155 (+£5)	£490 (+£15)
111-130	£180 (+£5)	£220 (+£5)	£155 (+£5)	£490 (+£15)
131-150	£220 (+£5)	£555 (+£15)	£155 (+£5)	£490 (+£15)
151-170	£555 (+£15)	£895 (+£25)	£155 (+£5)	£490 (+£15)
171-190	£895 (+£25)	£1,345 (+£40)	£155 (+£5)	£490 (+£15)
191-225	£1,345 (+£40)	£1,910 (+£60)	£155 (+£5)	£490 (+£15)
226-255	£1,910 (+£60)	£2,245 (+£70)	£155 (+£5)	£490 (+£15)
Over 255	£2,245 (+£70)	£2,245 (+£70)	£155 (+£5)	£490 (+£15)

<sup>1</sup>Applies to diesel vehicles that do not meet the real driving emissions step 2 (RDE2) standard. Alternative fuel vehicles, including hybrids, bioethanol and LPG, pay £150 a year. <sup>2</sup>Cars with a list price over £40,000, except those with zero CO<sub>2</sub> tailpipe emissions when driving, pay an additional rate of £335 per year on top of the standard rate for five years. 2021/22 rates apply from 1 April 2021

# VEHICLE EXCISE DUTY.

CARS REGISTERED ON OR AFTER 1 MARCH 2001.

VED BAND	CO <sub>2</sub> EMISSIONS (G/KM)	2021/22 STANDARD RATE (COMPARED WITH 2020/21)
A	Up to 100	£0 (+£0)
B	101-110	£20 (+£0)
C	111-120	£30 (+£0)
D	121-130	£130 (+£0)
E	131-140	£155 (+£5)
F	141-150	£170 (+£5)
G	151-165	£210 (+£5)
H	166-175	£250 (+£10)
I	176-185	£275 (+£10)
J	186-200	£315 (+£10)
K*	201-225	£340 (+£10)
L	226-255	£585 (+£20)
M	Over 255	£600 (+£20)

Figures in brackets show comparison with 2020/21. \*Includes cars emitting over 225g/km registered before 23 March 2006. 2021/22 rates apply from 1 April 2021



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# 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>. For cars with CO<sub>2</sub> emissions of 1-50g/km, the number of miles they can drive with zero emissions of CO<sub>2</sub> has a bearing on tax liabilities.

On 6 April 2020, the way in which BIK tax is calculated underwent substantial reform. Registrations before 6 April 2020 are taxed according to the previous

NEDC band structure (*see table right*). New car registrations use WLTP CO<sub>2</sub> figures, shown in the table on the next page. The two tiers align in 2022/23 and then apply until April 2025.

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

TAXABLE PERCENTAGES OF P11D VALUE: CARS FIRST REGISTERED BEFORE 6 APRIL 2020.

		2021 – 2025	
NEDC CO <sub>2</sub> EMISSIONS (G/KM)	ZERO EMISSIONS RANGE <sup>1</sup>	BIK % 2021/22	BIK % 2022/23 <sup>2</sup>
0	All	1 (5)	2 (6)
1-50	Over 130	2 (6)	2 (6)
1-50	70-129	5 (9)	5 (9)
1-50	40-69	8 (12)	8 (12)
1-50	30-39	12 (16)	12 (16)
1-50	Up to 30	14 (18)	14 (18)
51-54	-	15 (19)	15 (19)
55-59	-	16 (20)	16 (20)
60-64	-	17 (21)	17 (21)
65-69	-	18 (22)	18 (22)
70-74	-	19 (23)	19 (23)
75-79	-	20 (24)	20 (24)
80-84	-	21 (25)	21 (25)
85-89	-	22 (26)	22 (26)
90-94	-	23 (27)	23 (27)
95-99	-	24 (28)	24 (28)
100-104	-	25 (29)	25 (29)
105-109	-	26 (30)	26 (30)
110-114	-	27 (31)	27 (31)
115-119	-	28 (32)	28 (32)
120-124	-	29 (33)	29 (33)
125-129	-	30 (34)	30 (34)
130-134	-	31 (35)	31 (35)
135-139	-	32 (36)	32 (36)
140-144	-	33 (37)	33 (37)
145-149	-	34 (37)	34 (37)
150-154	-	35 (37)	35 (37)
155-159	-	36 (37)	36 (37)
160+	-	37 (37)	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 diesel tax charge. <sup>1</sup>Measured in miles when driving. <sup>2</sup>2022/23 rates apply until 31 March 2025

In 2021/22, cars with zero CO<sub>2</sub> emissions when driving, such as battery-electric vehicles (BEV) including the MINI Electric, are liable for BIK tax based on 1% of P11D value regardless of their registration date.

CO<sub>2</sub> emissions and fuel consumption information is available at the Vehicle Certification Agency site at **www.vehicle-certification-agency.gov.uk**.



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## COMPANY CAR TAX (CONTINUED).

BIK tax percentages for cars first registered before 06 April 2020 using NEDC figures are shown in the table on the previous page.

As confirmed in Budget 2020, 2022/23 BIK tax percentages will continue unchanged until 31 March 2025.

**Example: BIK tax liability calculation**  
A new MINI Electric Level 1 has a P11D price of £28,045 and CO<sub>2</sub> emissions of 0g/km, putting it in the 1% BIK tax band in 2021/22. £28,045 x 1% gives a taxable value of £280, equating to yearly BIK tax of £56 (£5/month) for a 20% tax payer, or £112 a year (£9/month) for a 40% tax payer.

TAXABLE PERCENTAGES OF P11D VALUE: CARS FIRST REGISTERED AFTER 6 APRIL 2020.

WLTP CO <sub>2</sub> EMISSIONS (G/KM)	ZERO EMISSIONS RANGE <sup>1</sup>	2021 – 2025	
		BIK % 2021/22	BIK % 2022/23 <sup>2</sup>
0	All	1 (5)	2 (6)
1-50	Over 130	1 (5)	2 (6)
1-50	70-129	4 (8)	5 (9)
1-50	40-69	7 (11)	8 (12)
1-50	30-39	11 (15)	12 (16)
1-50	Up to 30	13 (17)	14 (18)
51-54	-	14 (18)	15 (19)
55-59	-	15 (19)	16 (20)
60-64	-	16 (20)	17 (21)
65-69	-	17 (21)	18 (22)
70-74	-	18 (22)	19 (23)
75-79	-	19 (23)	20 (24)
80-84	-	20 (24)	21 (25)
85-89	-	21 (25)	22 (26)
90-94	-	22 (26)	23 (27)
95-99	-	23 (27)	24 (28)
100-104	-	24 (28)	25 (29)
105-109	-	25 (29)	26 (30)
110-114	-	26 (30)	27 (31)
115-119	-	27 (31)	28 (32)
120-124	-	28 (32)	29 (33)
125-129	-	29 (33)	30 (34)
130-134	-	30 (34)	31 (35)
135-139	-	31 (35)	32 (36)
140-144	-	32 (36)	33 (37)
145-149	-	33 (37)	34 (37)
150-154	-	34 (37)	35 (37)
155-159	-	35 (37)	36 (37)
160-164	-	36 (37)	37 (37)
165+	-	37 (37)	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 diesel tax charge. <sup>1</sup>Measured in miles when driving. <sup>2</sup>2022/23 rates apply until 31 March 2025

**Example: BIK tax liability calculation**  
A new MINI Cooper Clubman Sport 1.5 136hp 5dr has a P11D price of £25,225 and CO<sub>2</sub> emissions of 137g/km, putting it in the 32% BIK tax band in 2021/22. £25,225 x 32% gives a taxable value of £8,072, equating to yearly BIK tax of £1,614 (£135/month) for a 20% tax payer, or £3,229 a year (£269/month) at 40%.



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# CAPITAL ALLOWANCES & LEASE RENTAL RESTRICTION.

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 in 2021/22. 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> in

2021/22, although leasing companies are excluded from claiming the first-year allowance. A 100% FYA is also available until 31 March 2023 for companies investing in electric vehicle charge points at work.

Electric vans with zero CO<sub>2</sub> emissions when driving also qualify for a 100% FYA until 31 March 2025 provided the Plug-in Van Grant has not also been claimed. All other vans are eligible for an 18% annual capital allowance. A new 130% super deduction, effective from April 2021 to April 2023, applies to expenditure on new

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

**Lease rental restriction**  
Lease rentals can be offset against tax, with the threshold set as for main 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.



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**BUSINESS MILEAGE.**  
PRIVATE CAR.

The 2021/22 HMRC approved mileage allowance payments (AMAPs) for business mileage reimbursement in a private car are shown below.

The rates are the tax and NIC-free amounts claimable per mile by a driver using his/her own car on business.

HMRC MILEAGE ALLOWANCE PAYMENT (AMAP) RATES 2021/22.

	UP TO 10,000 MILES	OVER 10,000 MILES
All cars	45p	25p

# FUEL ALLOWANCES.

**The ‘free’ fuel benefit.**  
BIK tax is payable by drivers receiving employer-provided ‘free’ fuel (petrol or diesel, including hybrids) for private mileage in a company car. To work out the tax due, the Government Fuel Benefit Charge (FBC) is used – £24,600 in 2021/22. As electricity is not a fuel, there is no fuel scale charge applied to 100% electric cars.

**Calculating tax due on ‘free’ fuel.**  
A MINI Countryman Sport PHEV Cooper S E ALL4 136hp 5dr has CO<sub>2</sub> emissions

of 42g/km giving a BIK tax percentage of 11% in 2021/22. Its WLTP combined fuel consumption is 148.7mpg. £24,600 x 11% gives a taxable value of £3,897. Multiplying by the driver’s marginal tax rate (20% or 40% in 2021/22) gives annual tax payable of £3,897 x 20% = £779, or £3,897 x 40% = £1,559.

With the average price of petrol at £5.39/gal or £1.19/litre (March 2021), £779 will buy around 144 gallons (655 litres) for a 20% tax payer. For a 40% tax payer it’s 289 gallons (1,314 litres). Multiplying by the MINI’s combined fuel consumption

figure of 148.7mpg gives 14,931 miles for a 20% tax payer, or 29,861 miles for a 40% tax payer – the minimum private mileages you need to cover to make the ‘free’ fuel benefit worthwhile.

If you drive fewer private miles than the calculated figures you will be better off paying for private fuel yourself. If you drive more private miles you are better off paying the tax. As electricity is not a fuel, there is no fuel scale charge and drivers of 100% electric cars such as the MINI Electric pay no BIK tax at all.



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# CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS.

Class 1A National Insurance Contributions are payable at 13.8% of taxable value by the employer on the company car benefit and employer-provided ‘free’ fuel for private use. For ‘free’ fuel for private mileage, the Government Fuel Benefit Charge (FBC) – £24,600 in 2021/22 – applies.

For hybrids, the number of zero-emission miles the car can travel has a bearing on tax payable. As electricity is not a fuel, 100% electric cars are exempt from Class 1A NIC in 2021/22 as there is no fuel scale charge.

**Calculating Class 1A NIC – petrol, diesel and hybrid cars.**  
A MINI Countryman Sport PHEV Cooper S E ALL4, with a P11D price of £35,425 and CO<sub>2</sub> emissions of 42g/km, has a tax charge of 11% of P11D value in 2021/22.

£35,425 x 11% gives a taxable value of £3,897. Multiplying by 13.8% derives the annual Class 1A NIC contribution due – £538.

**Calculating Class 1A NIC – ‘free’ fuel (petrol, diesel and hybrid) in 2021/22.**  
Multiplying the fuel benefit charge (FBC) figure of £24,600 by the MINI Countryman Sport PHEV Cooper S E ALL4’s 11% tax charge gives a taxable value of £3,897. Multiplying by 13.8% derives the annual Class 1A NIC due – £373.

For further information on Class 1A NIC, click **HERE**.



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# GOVERNMENT PLUG-IN GRANTS EXTENDED TO 2022/23.

The Government Plug-in Grant is available only to cars with zero emissions of CO<sub>2</sub> and a purchase price of £35,000\* or less. The grant is a maximum of £2,500 per car in 2021/22. In line with the Government’s **Ten Point Plan for a Green Industrial Revolution**, published in November 2020, UK sales of new petrol and diesel cars and vans will end by 2030 with exceptions for hybrids that can travel a significant distance with zero tailpipe emissions.

The plan is backed by a £2.8 billion funding package, of which £1.3 billion is set to

be invested in charging infrastructure over the next four years. £582 million will extend the Plug-in Car, Van, Taxi and Motorcycle Grant scheme to 2022/23, and the rollout of a fast-charging network of more than 2,500 high-powered chargepoints is pledged to be in place for electric vehicles, rising to 6,000 by 2035.

**Government Electric Vehicle Homecharge Scheme (EVHS).**  
All ULEVs are eligible for the Electric Vehicle Homecharge Scheme (EVHS)

grant, even if they don’t qualify for the Plug-in Grant. The EVHS covers up to 75% of the installation cost of a charge point at home or business, capped at £350 including VAT. Enhanced Capital Allowances (ECAs) are also available for companies investing in electric vehicle charge points, with the allowance applicable until 31 March 2023.

For more information about the Government Plug-in Grant scheme, click **HERE**. Go to **[www.gov.uk/plug-in-car-van-grants](#)** for a full list of grant-eligible vehicles.

\*For private, business, fleet or demonstration models the purchase price of the vehicle is the price paid by the customer, including discount, not the recommended retail price. Purchase price includes: number plates, vehicle excise duty, VAT and excludes any optional extras, delivery charges and first registration fee.