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COMPANY CAR TAX SPRING 2025.

OUR GUIDE TO THE SPRING 2025 SPRING STATEMENT FOR FLEET DECISION MAKERS.





INTRODUCTION.

The 2025 Spring Statement confirmed Government announcements from last October’s Budget with a continued freeze on fuel duty until 22 March 2026, rises in Vehicle Excise Duty (VED) and Benefit-in-Kind (BIK) tax rates and a rise in National Insurance Contributions (NICs) for employers.

From 1 April 2025, all electric vehicles (EVs) are subject to VED, and the Expensive Car Supplement also applies to EVs costing £40,000 or more registered from 1 April 2025. First-year rates for VED increase substantially, while standard VED rates increase in line with the Retail Price Index (RPI).

New Benefit-in-Kind (BIK) tax percentages came into force from 1 April and EVs are taxed at 3% of P11D value for 2025/26, with 1% increments applying annually until 2027/28. Rates for all other vehicle bands also rose by one percentage point in 2025/26 up to 37%, where they are fixed until 2027/28.

In 2028/29 BIK rates for zero-emission cars rise by two percentage points while rates for all cars emitting 1-50g/km are elevated to 18%. A 1% rise for all other cars in 2028/29 and 2029/30 takes the percentage rate to 39% for cars with CO2 emissions of 160g/km or over.

New car Fuel Benefit Charges were also announced, which took effect from 6 April 2025.

Capital allowance ‘full expensing’, or 100% first-year tax relief, on qualifying plant and machinery expenditure, including EV charge points (but excluding cars), is extended until April 2026.

This MINI Guide to Company Car Tax offers explanations and guidance on developments following the 2025 Spring Statement.

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VEHICLE EXCISE DUTY.

Vehicle Excise Duty (VED) rates for 2025/26 are shown in the table. All cars including EVs registered from 1 April 2025 priced at £40,000 or more are subject to the Expensive Car Supplement of £425 from year two for five years following the first-year rate. Key points from the Spring Statement are listed below:

- From 1 April 2025, EVs and cars with zero emissions of CO₂ are liable for the lowest first-year VED rate, at £10, and annual VED of £195 from year two on.
- New EVs costing £40,000 or more first registered from 1 April 2025 are liable

- for the Expensive Car Supplement –£425 on top of the standard rate for five years following the first year.
- First-year rates for cars registered from 1 April 2025 emitting 1-50g/km of CO₂, including hybrid cars, increased to £110.
 - First-year rates for cars registered from 1 April 2025 emitting 51-75g/km of CO₂, including hybrid cars, increased to £130.
 - First-year rates for cars emitting 76g/km of CO₂ and above registered from 1 April 2025 double from their levels in 2024/25.

VEHICLE EXCISE DUTY.

RATES IN 2025/26: CARS FIRST REGISTERED ON OR AFTER 1 APRIL 2017.

VED BAND	CO ₂ EMISSIONS (G/KM)	FIRST-YEAR RATE (2025/26)	STANDARD RATE (YR2 ON FOR CARS WITH LIST PRICE OF £40,000) ¹ OR LESS
A	0	£10	£195
B	1-50	£110	£195
C	51-75	£130	£195
D	76-90	£270	£195
E	91-100	£350	£195
F	101-110	£390	£195
G	111-130	£440	£195
H	131-150	£540	£195
I	151-170	£1,360	£195
J	171-190	£2,190	£195
K	191-225	£3,300	£195
L	226-255	£4,680	£195
M	Over 255	£5,490	£195

¹ In 2025/26, cars with a list price of £40,000 or more, including those with zero CO₂ tailpipe emissions when driving, pay an additional rate of £425 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2025/26 rates apply from 1 April 2025. Diesel vehicles registered after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard are charged a supplement on their first year rate to the effect of moving up by one VED band.

VEHICLE EXCISE DUTY.

CARS REGISTERED ON OR AFTER 1 MARCH 2001 AND BEFORE 1 APRIL 2017.

VED BAND	CO ₂ EMISSIONS (G/KM)	VED 2025/26
A	Up to 100	£20
B	101-110	£20
C	111-120	£35
D	121-130	£165
E	131-140	£195
F	141-150	£215
G	151-165	£265
H	166-175	£315
I	176-185	£345
J	186-200	£395
K*	201-225	£430
L	226-255	£735
M	Over 255	£760

*Includes cars emitting over 225g/km registered before 23 March 2006. 2025/26 rates apply from 1 April 2025.

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COMPANY CAR TAX.

Benefit-in-Kind tax is based on a car’s P11D price and CO₂ emissions, with the BIK percentage rates for all company cars shown in the table (right).

From 1 April 2025, BIK tax rates for cars with zero emissions of CO₂ when driving, for example EVs, rose by one percentage point a year until 2027/28. Rates for all other BIK bands rise in 1% increments in 2025/26, 2026/27 and 2027/28, capped at 37%.

In 2028/29 and 2029/30, rates for zero-emission cars increase to 7% and 9% respectively. For cars with CO₂ emissions of 1-50g/km, rates rise to 18% and 19% respectively, with 1% increments for cars with CO₂ emissions of 51g/km and above.

CO₂ emissions and fuel consumption information for all MINI models is available at www.MINI.co.uk, while data for all cars can be found on the Vehicle Certification Agency site at www.vehicle-certification-agency.gov.uk.

TAXABLE PERCENTAGES OF P11D VALUE:
ALL COMPANY CARS.

WLTP CO ₂ EMISSIONS (G/KM)	ZERO CO ₂ EMISSIONS RANGE ¹	BIK (%) 2025/2026 ²	BIK (%) 2026/2027 ²	BIK (%) 2027/2028 ²	BIK (%) 2028/2029 ²	BIK (%) 2029/2030 ²
0	All	3	4	5	7	9
1 to 50	More than 130	3	4	5	18	19
1 to 50	70-129	6	7	8	18	19
1 to 50	40-69	9	10	11	18	19
1 to 50	30-39	13	14	15	18	19
1 to 50	Less than 30	15	16	17	18	19
51 to 54	-	16	17	18	19	20
55 to 59	-	17	18	19	20	21
60 to 64	-	18	19	20	21	22
65 to 69	-	19	20	21	22	23
70 to 74	-	20	21	21	22	23
75 to 79	-	21	21	21	22	23
80 to 84	-	22	22	22	23	24
85 to 89	-	23	23	23	24	25
90 to 94	-	24	24	24	25	26
95 to 99	-	25	25	25	26	27
100 to 104	-	26	26	26	27	28
105 to 109	-	27	27	27	28	29
110 to 114	-	28	28	28	29	30
115 to 119	-	29	29	29	30	32
120 to 124	-	30	30	30	31	32
125 to 129	-	31	31	31	32	33
130 to 134	-	32	32	32	33	34
135 to 139	-	33	33	33	34	35
140 to 144	-	34	34	34	35	36
145 to 149	-	35	35	35	36	37
150 to 154	-	36	36	36	37	38
155 to 159	-	37	37	37	38	39
160+	-	37	37	37	38	39

Source: HMRC. Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to a 4% tax charge. Rates for fully electric cars (0g/km) rise by one percentage point each year until 2027/28. For 2028/29 rates rise by two percentage points to 7% and by a further two points to 9% in 2029/30. Rates for cars with CO₂ emissions of 1-50g/km g/km) rise by one percentage point until 2027/2028. In 2028/29, rates rise to 18%, and 19% in 2029/30. ¹ In miles when driving. ² Rates apply until 31 March in each tax year

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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 CO₂ emissions – 50g/km in 2025/26.

For cars with CO₂ emissions of 1-50g/km, the allowance is 18% a year, while for cars with CO₂ emissions of 51g/km or more it is 6%. A 100% first-year capital allowance applies until 31 March 2026 to cars with zero emissions of CO₂ while driving, although leasing companies are unable to claim the allowance.

Full expensing
Capital allowances based on full expensing apply until 31 March 2027 following the success of the 130% 'super deduction' introduced in 2021.

Full expensing enables businesses to deduct 100% of outright purchase expenditure from their profits before tax on new main rate equipment items – such as electric charging equipment, vans and trucks (provided the Plug-in Grant has not also been claimed) but excluding company cars.

The Government will explore extending full expensing to assets bought for leasing or hiring when fiscal conditions allow.

Lease rental restriction
Lease rentals on company cars can be offset against tax, with the threshold set at 50g/km of CO₂. New cars with CO₂ emissions of 50g/km or less are eligible for 100% of payments to be offset, while 85% is claimable for those with CO₂ emissions of 51g/km or more.

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FUEL ALLOWANCES.

The ‘free’ fuel benefit
BIK tax is payable by drivers receiving employer-provided fuel for private mileage in a company car. To calculate it the Fuel Benefit Charge (FBC) is used – £28,200 from 6 April 2025.

Calculating tax due on employee provided ‘free’ fuel
A MINI Cooper C 3-door Classic has WLTP combined CO₂ emissions of 134g/km, giving a BIK tax percentage of 32% in 2025/26. Its WLTP combined fuel consumption figure is 47.9mpg, (5.9 litres/100km). £28,200 x 32% gives a taxable value of £9,024. Multiplying by the driver’s income tax rate derives annual tax of £9,024 x 20% = £1,805, or £9,024 x 40% = £3,610. With the average price of unleaded at £6.14/gal or £1.35/litre (May 2025), £1,805 will buy around 294 gallons (1,337 litres) for a 20% tax payer. For a 40% tax payer, it is around 588 gallons (2,673 litres).

Multiplying each by the MINI Cooper C 3-door Classic’s combined fuel consumption of 47.9mpg gives 14,083 miles for a 20% tax payer, or 28,166 miles for a 40% tax payer – the minimum private mileages you need to cover to make the benefit worthwhile.

If your private mileage is less than the calculated figure, paying for the fuel yourself will cost less than the tax. If it is greater, you are better off paying the tax.

As electricity is not classed as a fuel it has no scale charge, meaning drivers of 100% electric cars are exempt from fuel benefit tax.

BUSINESS MILEAGE. PRIVATE CAR.

The 2025/26 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 APPROVED MILEAGE ALLOWANCE PAYMENT (AMAP) RATES 2025/26.

ALL CARS AND VANS	
UP TO 10,000 MILES	OVER 10,000 MILES
45p	25p



CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS.

Employers' National Insurance Contributions, payable by the employer on the company car benefit and employer-provided private fuel, is set at 15% of taxable from 6 April 2025. As electricity is not classed as a fuel there is no scale charge for employer-provided electricity so there is no Class 1A NIC to pay in 2025/26. For plug-in hybrid cars, the zero-emission mileage the car can travel affects its taxable value and the NIC payable in the same way as for BIK tax. However, the October 2024 Budget announced that in April 2028 the mileage-related scale is

abolished and all cars with CO₂ emissions of 1-50g/km will have their taxable value based on a rate of 18%, rising to 19% in 2029/30.

Class 1A NIC – petrol, diesel and plug-in hybrid cars:
A MINI Cooper C 3-door Classic, with a P11D price of £24,725 and WLTP CO₂ emissions of 134g/km, has a BIK tax percentage of 32% in 2025/26. £24,725 x 32% gives a taxable value of £7,912. Multiplying by 15% derives annual NIC of £1,163.

Class 1A NIC – employer-provided 'free' fuel in 2024/25:
For employer-provided 'free' fuel for private use, the Government Fuel Benefit Charge of £28,200 applies. Multiplying by the MINI Cooper C 3-door Classic's 32% tax charge gives a taxable value of £9,024. Multiplying by 15% gives Class 1A NIC of £1,354.

Click [here](#) for more information on car and fuel benefits.

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GOVERNMENT PLUG-IN GRANTS.

The Government Plug-in Car Grant of up to £2,500 is available only to wheelchair accessible vehicles priced up to £35,000* with zero CO₂ tailpipe emissions and a zero-emission range of at least 70 miles.

Motorcycles: Motorcycles priced up to £10,000, with zero CO₂ tailpipe emissions and a range of at least 31 miles between charges, are eligible for a maximum grant of £500.

Mopeds or scooters: Mopeds or scooters costing up to £10,000, with zero CO₂ tailpipe emissions and a range of at least 19 miles between charges are eligible for a maximum grant of £150.

Vans: Vans under 2.5t GVW with CO₂ 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 2.5-4.25t GVW receive a grant of up to £5,000. Grants are limited to 1,000 per customer per year and exclude leasing companies.

Plug-in Van Grant
Plug-in Van and Truck Grant availability was extended in February 2025 and applies until April 2026, with the threshold for claiming the small truck grant of up to £16,000 increased from 3.5t to 4.25t GVW.

Vans up to 4.25t are eligible for the large van grant of up to £5,000. Drivers with

standard car licences can also drive electric vans of up to 4.25t, compared with a 3.5t limit for diesel vans.

Electric Vehicle Chargepoint Grant
The EV Chargepoint Grant has replaced the Electric Vehicle Homecharge Scheme (EVHS) and is available to people living in flats (including those with mortgages) and rental accommodation.

Those in single-unit properties such as bungalows and detached, semi-detached or terraced housing are no longer eligible for the grant. Click **here** for further information.

*The definition of recommended retail price includes VAT (including VAT reclaimable by a business) vehicle manufacturer or dealer's mandatory extras including delivery charges or administration fees, the battery cost (including where the battery is leased), any non-standard option fitted by the manufacturer or dealer affecting the capacity of the battery, drivetrain configuration or maximum net power, and excludes any non-standard option fitted by the manufacturer or dealer which does not affect the capacity of the battery, drivetrain configuration or maximum net power, modifications such as 'police packs', ambulance/fire engine modifications, modifications for disabled users, including WAV conversions, warranty/insurance and service packages etc, first registration fee and cost of first-year VED and any discounts (including rebates). UK model specifications may vary