



COMPANY CAR TAX. SPRING 2022.

A GUIDE TO THE SPRING 2022 BUDGET STATEMENT FOR FLEET DECISION MAKERS.



INTRODUCTION.

A fuel duty cut of 5p/litre was the headline news in the Budget Statement, expected to reduce the cost of filling up a 55-litre petrol tank by around £3.30 (inc VAT).

As announced in the October 2021 Budget, the Health and Social Care Levy, which comes into force in April 2022, brings with it a temporary 1.25% rise in Class 1A NIC rates from 13.8% to 15.05%. In April 2023, the NIC rate reverts to 13.8%, but the Levy continues to apply to taxable benefits such as company cars.

Elsewhere, drivers of 100% electric cars with CO₂ emissions of 0g/km see BIK tax rates rise from 1% to 2% of taxable value from 05 April. The rise is unlikely to stem sales of 100% electric cars, however. Almost 25,000 battery-electric cars were registered in the UK in January and February 2022, a 154% rise over the same period in 2021 underlining incentives for drivers selecting zero emission cars.

Other announcements included a Retail Price Index-linked rise in Vehicle Excise

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

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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.

The Budget confirmed that cars priced at over £40,000 with zero emissions of CO₂ 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):** £165 – cars with CO₂ emissions of 1g/km or over with a list price of £40,000 or less.

– **Additional rate (yr2 onwards):** £520 – cars with CO₂ emissions of 1g/km or over with a list price over £40,000.

VEHICLE EXCISE DUTY.

RATES FOR NEW CARS IN 2022/23.

CARS REGISTERED ON OR AFTER 1 APRIL 2017.				
CO ₂ EMISSIONS (G/KM)	2022/23 FIRST YEAR RATE (COMPARED WITH 2021/22)	2022/23 FIRST YEAR DIESEL RATE (COMPARED WITH 2021/22) ¹	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) ²
0	£0 (+£0)	£0 (+£0)	£0	£0
1-50	£10 (+£0)	£25 (+£0)	£165 (+£10)	£520 (+£30)
51-75	£25 (+£0)	£120 (+£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)

¹Applies to diesel vehicles that do not meet the real driving emissions step 2 (RDE2) standard. Alternative fuel vehicles, including hybrids, bioethanol and LPG, pay £155 a year. ²Cars with a list price over £40,000, except those with zero CO₂ tailpipe emissions when driving, pay an additional rate of £355 per year on top of the standard rate for five years. 2022/23 rates apply from 01 April 2022

VEHICLE EXCISE DUTY.

CARS REGISTERED ON OR AFTER 1 MARCH 2001.

VED BAND	CO ₂ EMISSIONS (G/KM)	2022/23 STANDARD RATE (COMPARED WITH 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*	201-225	£360 (+£20)
L	226-255	£615 (+£30)
M	Over 255	£630 (+£30)

Figures in brackets show comparison with 2020/21. *Includes cars emitting over 225g/km registered before 23 March 2006. 2022/23 rates apply from 1 April 2022

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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 CO₂. From 01 April 2022 drivers of all company cars are taxed according to WLTP CO₂ figures, with the appropriate BIK tax percentages shown in the table opposite applying until 31 March 2025.

Drivers of cars with zero emissions of CO₂ when driving, such as the MINI

Electric, are liable for BIK tax based on 2% of taxable value, up from 1% in 2021/22.

For cars with CO₂ emissions of 1-50g/km, for example the MINI Plug-in Hybrid, the number of miles they can drive with zero emissions of CO₂ has a significant bearing on tax liabilities, with percentages calculated on the basis of their zero CO₂ emissions range.

TAXABLE PERCENTAGES OF P11D VALUE: ALL COMPANY CARS.

		2022 – 2025
WLTP CO ₂ EMISSIONS (G/KM)	ZERO EMISSIONS RANGE ¹	BIK % 2022 – 25 ²
0	All	2 (6)
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 diesel tax charge. ¹Measured in miles when driving. ² Rates apply until 31 March 2025

For diesels that do not meet the Real Driving Emissions Step 2 (RDE2) standard, a 4% tax charge applies (shown in brackets), capped at 37%.

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 at the Vehicle Certification Agency at **www.vehicle-certification-agency.gov.uk**.

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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, set at 50g/km in 2021/22. For cars with CO₂ emissions of 1-50g/km, the capital allowance is 18% a year, while for cars with CO₂ 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 CO₂

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 CO₂ 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 CO₂. New cars with CO₂ 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 CO₂ emissions of 51g/km or more.

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FUEL ALLOWANCES.

The private, or 'free', fuel benefit
BIK tax is payable by drivers receiving employer-provided 'free' 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 and drivers of 100% electric cars such as the MINI Electric pay no BIK tax on fuel.

Calculating tax due on 'free' fuel – petrol, diesel and hybrid cars.
A MINI Countryman PHEV Classic has CO₂ emissions of 40g/km and electric range of up to 31 miles, giving a BIK tax percentage of 12% in 2022/23. Its WLTP combined fuel consumption is 156.9mpg. £25,300 x 12% gives a taxable value of £3,036. Multiplying by the driver's tax rate (20% or 40% in 2022/23) gives 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's 167 gallons (759 litres). Multiplying by the MINI PHEV's combined fuel consumption figure 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 'free' fuel 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.

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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.

Class 1A NIC – fully electric cars.
A MINI Electric Level 1 with a P11D price of £28,445, WLTP CO₂ emissions of 0g/km and electric range of 145 miles, has a tax percentage of 2% of P11D value in 2022/23. £28,445 x 2% gives a taxable value of £569. Multiplying by 15.05% derives the annual Class 1A NIC contribution due – £86.

As electricity is not a fuel there is no scale charge and 100% electric cars are not liable for NIC on the ‘free’ fuel benefit in 2022/23.

Class 1A NIC – employer-provided ‘free’ fuel (petrol, diesel and hybrid cars).
The MINI Countryman PHEV Classic has a 12% tax percentage, giving it a taxable value of £3,036 when multiplied by the 2022/23 Government fuel benefit charge (FBC) figure of £25,300. Multiplying £3,036 by the NIC percentage rate of 15.05% derives annual Class 1A NIC due on the fuel benefit in 2022/23 of £457.

For further information on car and fuel benefits, click **HERE**.

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GOVERNMENT PLUG-IN GRANTS.

Plug-in Grants for cars apply to those costing £32,000* or less, with zero emissions of CO₂ 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-emission range.

Plug-in Grant-eligible cars.

Cars priced at £32,000* or less with zero CO₂ 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 up to £35,000* are eligible for a grant of up to £2,500, with 1,000 grants available between 01 April 2022 and 31 March 2023.

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 increased 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 sockets. All ULEVs are eligible for the Electric Vehicle Homecharge Scheme (EVHS), capped at £350 inc VAT in 2022/23.

Go to the Office for Zero Emission Vehicles for more details **here**.

*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.