THE BMW GUIDE

TO COMPANY CAR TAX, AUTUMN 2026

INTRODUCTION



The Autumn Budget 28 October 2026 included measures to help drivers using their own cars for work, action to soften the impact of high fuel prices and clarification on company car tax. The highlights for Fleet are as follows:

- Benefit-in-Kind tax company car rates for 2030/31: rates for electric and Plug-in Hybrid cars continue to increase by two percentage points each year, but from 2029/30 to 2030/31 the rate rises by one percentage point across all BIK levels, up to a ceiling of 40%. This means, for example, increasing from 9% to 10% for zero emission electric cars in 2030/31.

- Reimbursement rates for drivers claiming fuel and other motoring costs as a consequence of using their own car for work have risen 10p per mile, from 45p per mile for the first 10,000 miles to 55p. There is a permanent increase to 35ppm for over 10,000 miles.

- There is a delay to the 5p per litre restoration to fuel duty, which had been planned for the start of next year, now July 2027.

- From 6 April 2027, employers are required to report taxable company car and private fuel benefits, together with the associated Class 1A National Insurance Contributions, through payroll in real time. This replaces existing annual reporting arrangements for these benefits - when employers report and pay the contributions, but not how the taxable benefit is calculated.

This guide further explores the tax implications for business and company car drivers.

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VEHICLE EXCISE DUTY

Vehicle Excise Duty (VED) applies to petrol, diesel, Plug-in Hybrid and electric vehicles, including zero-emission cars. The amount payable depends on the vehicle type, list price and registration date.

EXPENSIVE CAR SUPPLEMENT

The Expensive Car Supplement is £440 a year for cars with a list price above £40,000, or above £50,000 for zero-emission cars.

The list price is the published price of the vehicle before it is registered for the first time, and before any discounts are applied.

However, you do not have to pay this if it is a zero-emission vehicle, and the vehicle was registered before 1 April 2025.

First-year VED rates for cars emitting 1–75g/km of CO_2, including qualifying hybrids, increase in line with the Retail Price Index from 1 April 2027.

Vehicle Excise Duty (VED) rates for 2027/28 are shown in the table.

VED 2027/28: for registrations after 1 April 2017

VED Band	CO_2 emissions (g/km)	First year rate (2027/28)	Standard rate Yr2 on
		(£)	(£)
A	0	10	200
B	1-50	115	200
C	51-75	135	200
D	76-90	280	200
E	91-100	365	200
F	101-110	405	200
G	111-130	455	200
H	131-150	560	200
I	151-170	1,410	200
J	171-190	2,270	200
K	191-225	3,420	200
L	226-255	4,850	200
M	Over 255	5,690	200

2027/28 rates apply until 1 April 2028. Diesel vehicles registered after 1 April 2018 that do not meet the RDE2 standard will be charged a supplement on their first-year rate to the effect of



COMPANY CAR TAX

Benefit-in-Kind (BIK) tax is based on a company car's P11D value and a percentage determined by its CO_2 emissions and, for low-emission Plug-in Hybrids, electric range.

BIK rates for zero-emission cars rise from 5% in 2027/28 to 10% in 2030/31. For cars emitting 1–50g/km, rates are based on electric range and then increase to 18% in 2028/29, and up to 20% in 2030/31.

HOW BIK ON COMPANY CARS WORKS

A BMW i3 40 xDrive M Sport Pro has a P11D value of £51,860 and WLTP-derived CO_2 emissions of 0g/km, giving a BIK tax percentage of 5% in 2027/28. £51,860 x 5% gives a taxable value of £2,593, resulting in yearly BIK tax of £519 (£43/month) for a 20% taxpayer and £1,037 (£86/month) for a 40% taxpayer.

BIK rates (%)

CO_2 (g/km)	Electric range	2026/27	2027/28	2028/29	2029/30	2030/31
0	All	4	5	7	9	10
1–50	130 miles or more	4	5	18	19	20
1–50	70–129 miles	7	8	18	19	20
1–50	40–69 miles	10	11	18	19	20
1–50	30–39 miles	14	15	18	19	20
1–50	Less than 30 miles	16	17	18	19	20
51–54	—	17	18	19	20	21
55–59	—	18	19	20	21	22
60–64	—	19	20	21	22	23
65–69	—	20	21	22	23	24
70–74	—	21	21	22	23	24
75–79	—	21	21	22	23	24
80–84	—	22	22	23	24	25
85–89	—	23	23	24	25	26
90–94	—	24	24	25	26	27
95–99	—	25	25	26	27	28
100–104	—	26	26	27	28	29
105–109	—	27	27	28	29	30
110–114	—	28	28	29	30	31
115–119	—	29	29	30	31	32
120–124	—	30	30	31	32	33
125–129	—	31	31	32	33	34
130–134	—	32	32	33	34	35
135–139	—	33	33	34	35	36
140–144	—	34	34	35	36	37
145–149	—	35	35	36	37	38
150–154	—	36	36	37	38	39
155–159	—	37	37	38	39	40
160+	—	37	37	38	39	40

Source: HMRC. Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to a four-percentage-point BIK supplement, up to the applicable maximum. Rates apply until 31 March each year.



PHEV BIK EASEMENT

There is a temporary tax relief protecting qualifying Plug-in Hybrid company cars from higher BIK charges resulting from stricter emissions tests.

The easement applies to PHEVs first registered from 1 January 2025 to 5 April 2028, tested to Euro 6e-bis or a later qualifying standard, with CO_2 emissions of at least 51g/km and an electric-only range of at least one mile.

For BIK purposes, these cars are treated as emitting 1g/km, with the rate based on electric range.

For qualifying cars before 5 April 2028, the relief can continue until the arrangement is renewed or varied, or 5 April 2031, whichever comes first.

PHEV BIK COMPARISON: WITH AND WITHOUT EASEMENT

The example shows the impact of two PHEVs with 76g/km CO_2 emissions and a 43-mile electric-only range. One qualifies for the easement, and one does not.

Tax year	With easement	Without easement	Difference
2027/28	11%	21%	10 percentage points
2028/29	18%	22%	4 percentage points
2029/30	19%	23%	4 percentage points
2030/31	20%	24%	4 percentage points

You can check whether specific models qualify **here**.

Source: HMRC company car tax guidance and Employment Income Manual EIM24710.
Tax years run from 6 April to 5 April. Figures exclude any additional diesel supplement.



CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

Employers pay Class 1A National Insurance Contributions (NICs) at 15% of the taxable value of company car and private fuel benefits in 2026/27.

The £5,000 earnings threshold for employers' Class 1 NICs, frozen until April 2031, does not apply to Class 1A NICs.

For Plug-in Hybrids, as with BIK tax, electric range affects the taxable value and NIC liability. From April 2028, all cars emitting 1–50g/km of CO_2 will have a BIK rate of 18%, regardless of electric range, rising to 19% in 2029/30.

HOW TO CALCULATE CLASS 1A NIC ON ELECTRIC COMPANY CARS

A BMW iX2 eDrive20 Sport Auto has a P11D value of £37,000, and WLTP-derived CO_2 emissions of 0g/km, giving a BIK tax percentage of 5% in 2027/28. £37,000 x 5% gives a taxable value of £1,850, resulting in an annual Class 1A NIC liability of £278 (£1,850 x 15%).

CLASS 1A NIC LIABILITY FOR PETROL, DIESEL AND PLUG-IN HYBRID CARS

A BMW X3 30e xDrive xLine Plug-in Hybrid, with a P11D price of £58,450 and WLTP CO_2 emissions of 64-69g/km, has a zero-emission range of up to 54 miles*, giving a BIK tax percentage of 11% in 2027/28. £58,450 x 11% gives a taxable value of £6,430. Multiplying by 15% derives annual Class 1A NIC of £964.

* The BMW X3 30e xDrive xLine is a Plug-in Hybrid vehicle requiring mains electricity for charging. This WLTP figure is shown for comparability purposes. Only compare equivalent all-electric range figures with other cars tested to the same technical procedures. This figure may not reflect real-life driving results, which will depend upon a number of factors including the starting charge of the battery, accessories fitted (post registration), variations in weather, driving styles, fuel type and vehicle load.

CAPITAL ALLOWANCES AND LEASE RENTAL RESTRICTION



CAPITAL ALLOWANCES

Businesses buying company cars outright can claim capital allowances, deducting part or all costs from taxable profits.

New, unused zero-emission cars can qualify for a 100% first-year allowance, available until 31 March 2027 for Corporation Tax and 5 April 2027 for Income Tax. This generally excludes cars bought for leasing.

Those emitting 50g/km of CO_2 or less qualify for a 14% annual writing-down allowance in 2027/28. Those above 50g/km qualify for 6%. Both apply on a reducing-balance basis.

Cars are excluded from the annual investment allowance (AIA), super-deduction, full expensing and the 50% and 40% first-year allowances.

FULL EXPENSING

Full expensing enables the deduction of 100% of qualifying expenditure on new and unused main-rate plant and machinery, potentially including electric charging equipment, vans and trucks, but excluding company cars.

Full expensing is a permanent allowance rather than one scheduled to expire on 31 March 2028. Eligibility depends on the expenditure and relevant conditions.

LEASE RENTAL RESTRICTION

Lease rentals on company cars can be offset against taxable profits, with the CO_2 emissions threshold set at 50g/km.

For qualifying leases, cars with CO_2 emissions of 50g/km or less are eligible for 100% of rental payments to be deducted, while 85% is deductible for cars with CO_2 emissions above 50g/km, reflecting the 15% lease rental restriction.

FUEL ALLOWANCES



BUSINESS AND PRIVATE MILEAGE IN A COMPANY CAR

HMRC's Advisory Fuel Rates (AFRs) and Advisory Electric Rates (AERs) set tax-free reimbursement rates for business mileage in company cars.

Reviewed quarterly, with rates calculated to reflect the changing cost of petrol, diesel and electricity at home and on the road, they can also be used to calculate repayments for private fuel.

AFRs apply to petrol, diesel and hybrid cars, including Plug-in Hybrids, and vary by fuel type and engine size.

From 1 September 2026, for example, petrol rates ranged from 14p to 27p per mile and diesel from 15p to 22p. Plug-in Hybrids use the applicable petrol or diesel rate.

AERs apply to fully electric company cars, with separate rates for home and public charging. From 1 September 2026, these were 7p and 15p per mile respectively.

Employers can apportion mileage between home and public charging, and reimburse higher actual electricity costs tax-free where supported by evidence.

Source: HMRC Advisory Fuel Rates, effective 1 September 2026.

BUSINESS MILEAGE IN A PRIVATE CAR

HMRC Approved Mileage Allowance Payments (AMAPs) – the tax and NIC-free amounts claimable by a driver using their own car for business mileage – are shown below for 2027/28. They have been increased from the previous year, reflecting the higher cost of fuel in 2026.

AMAP REIMBURSEMENT RATES PER MILE 2027/28

All cars and vans

Up to 10,000 miles	Over 10,000 miles
55p	**35p**



EMPLOYER-PROVIDED FUEL FOR PRIVATE USE

Drivers receiving employer-paid petrol or diesel for private journeys in a company car pay an additional Benefit-in-Kind (BIK) tax charge.

HMRC's car fuel benefit multiplier is £29,200 for 2026/27. The October 2026 Budget confirmed it will rise in line with Consumer Prices Index (CPI) from 6 April 2027, although the new figure has yet to be announced.

The taxable benefit is calculated by multiplying the fuel benefit multiplier by the car's BIK percentage. Drivers then pay income tax at their applicable rate.

Employer-provided electricity for charging company electric cars is not treated as fuel and attracts no additional fuel benefit charge.

CALCULATING TAX DUE ON EMPLOYER-PROVIDED FUEL FOR PRIVATE USE

A BMW 530e M Sport Plug-in Hybrid Saloon has WLTP-derived CO_2 emissions of 49-58 g/km and an equivalent all-electric range of up to 64 miles*, giving a BIK tax percentage of 11% in 2027/28 (subject to qualifying for PHEV easement). £29,200 (the latest available figure from 2026/27) x 11% gives a taxable value of £3,212.

Annual tax on the £3,212 fuel benefit is £3,212 × 20% = £642, or £3,212 × 40% = £1,285.

At £1.74 per litre for petrol (October 2026), the benefit would be worthwhile when employer-funded private fuel exceeds 369 litres annually (£642 ÷ £1.74) for a 20% taxpayer, or 738 litres (£1,285 ÷ £1.74) for a 40% taxpayer.

CLASS 1A NIC CHARGES FOR EMPLOYER-PROVIDED FUEL IN 2026/27

Class 1A NIC charges apply to employer-provided fuel for private use too. The are also based on the car fuel benefit multiplier, currently £29,200 (April 2026).

The BMW X3 30e xDrive xLine Plug-in Hybrid's 11% tax charge (see NIC section), subject to qualifying for PHEV easement, gives a taxable value of £3,212. Multiplied by the NIC rate of 15% means an annual charge of £482.

The October 2026 Budget confirmed the car fuel benefit multiplier will increase in line with CPI from 6 April 2027, and Class 1A NIC liability for 2027/28 can be calculated once the revised figure is published.

* The BMW 530e M Sport is a Plug-in Hybrid vehicle requiring mains electricity for charging. This WLTP figure is shown for comparability purposes. Only compare equivalent all-electric range figures with other cars tested to the same technical procedures. This figure may not reflect real-life driving results, which will depend upon a number of factors including the starting charge of the battery, accessories fitted (post registration), variations in weather, driving styles, fuel type and vehicle load.

DRIVING IN A CLEAN AIR ZONE



Clean Air Zones (CAZs) are in place in Bath, Birmingham, Bradford, Bristol, Portsmouth, Sheffield and Tyneside (Newcastle and Gateshead). Different rules apply depending on the location and vehicle type. Of these, Birmingham and Bristol operate Class D zones, which include private cars. In London, separate Congestion Charge and Ultra Low Emission Zone (ULEZ) schemes apply.

For information on how to check whether you need to pay a CAZ charge, create a business account and find out what support or exemptions are available, click **here**.

LONDON CONGESTION CHARGE

The London Congestion Charge costs £18 per day when paid in advance or on the day of travel, or £21 if paid within three days after travel. It applies between 07:00 and 18:00 Monday to Friday, and 12:00 and 18:00 on weekends and bank holidays. There is no charge from Christmas Day through to the New Year's Day bank holiday, inclusive.

Eligible electric cars registered for Auto Pay receive a 25% discount, reducing the daily charge to £13.50. Electric vans, HGVs and quadricycles registered for Auto Pay receive a 50% discount. Plug-in Hybrids do not qualify for the Cleaner Vehicle Discount.

LONDON ULTRA LOW EMISSION ZONE (ULEZ)

The London Ultra Low Emission Zone (ULEZ) operates across all London boroughs, 24 hours a day, seven days a week, except Christmas Day. The M25 is excluded.

Vehicles that do not meet ULEZ emissions standards and are not exempt must pay a £12.50 daily charge. This applies to cars, motorcycles, vans and specialist vehicles up to and including 3.5 tonnes, and minibuses up to and including five tonnes.

ULEZ MINIMUM EMISSIONS STANDARDS

- Petrol cars and vans: Euro 4 (NOx)
- Diesel cars and vans: Euro 6 (NOx and particulate matter)
- Motorcycles: Euro 3

The £12.50 daily ULEZ charge is determined by a vehicle's emissions compliance rather than its age and also applies to residents of the zone unless an exemption or grace period applies.

Petrol cars meeting ULEZ standards were generally first registered from 2006 onwards. Diesel cars meeting the standards were usually first registered from September 2015 onwards. Registration dates are only a guide, however, and individual vehicles should be checked.

The penalty for failing to pay the ULEZ charge is £180, reduced to £90 if paid within 14 days. The charging day runs from midnight to midnight, so drivers travelling in the zone across two calendar days may incur two daily charges.

For further information and to check a vehicle's ULEZ or Congestion Charge status, click **here**.

*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.