



Budget Update  
Spending Review 2020

Vehicle  
excise duty

Company  
car tax

Capital  
allowances

Fuel  
allowances

Class 1A  
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# THE BMW GUIDE

TO COMPANY CAR TAX





# INTRODUCTION

The emphasis on zero-emissions electric power for road vehicles is gathering momentum fast, with Budget 2020 confirming that all zero-emission electric cars will be exempt from company car tax in 2020/21.

The Spending Review in November 2020 underlined the Government's renewed emphasis on road transport's transition to zero emissions with a more aggressive phase-out of sales of new internal combustion engined cars in favour of electric power

by 2030. But a future motoring tax strategy has to strike a fine balance between maintaining revenues as well as encouraging newer and cleaner vehicles.

BVRLA Chief Executive, Gerry Keaney, said: 'The Government must avoid placing a crushing tax burden on businesses and individuals that are unable to upgrade their cars, vans or trucks and are already struggling to cope with the economic implications of the Covid-19 pandemic and EU-exit.'

For the time-being, the mandatory use of Worldwide harmonised Light vehicle Test Procedure (WLTP) data for vehicle tax purposes was introduced in April 2020. WLTP introduces a more demanding drive cycle, aimed at producing fuel economy and emissions data which is more representative of on-road driving.

This updated BMW Guide to Company Car Tax 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 (November 2020). While we have made every effort to ensure the information in this document is accurate, neither BMW (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. The values for fuel consumption, CO<sub>2</sub> emissions and energy consumption shown were determined in a standardised test cycle according to the European Regulation (EC) 715/2007 in the version currently applicable and are for comparative purposes for vehicles fitted with standard wheel and tyre combinations. This allows a direct comparison between different models but may not represent the actual fuel consumption achieved in 'real world' driving. CO<sub>2</sub> emissions can change if a different-sized alloy wheel is ordered with the vehicle. This may also lead to a change to the VED payable. More information is available at [www.BMW.co.uk](http://www.BMW.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 2020/21 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 announced that zero-emission cars with a list price over £40,000 are exempt from the additional rate until 31 March 2025.

- > **First-year rate:** Applicable to all cars registered on or after 1 April 2018, with increased rates for non-RDE2-compliant diesels
- > **Standard rate (yr2 onwards):** £150 – 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):** £475 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price over £40,000.

VED rates 2020/21

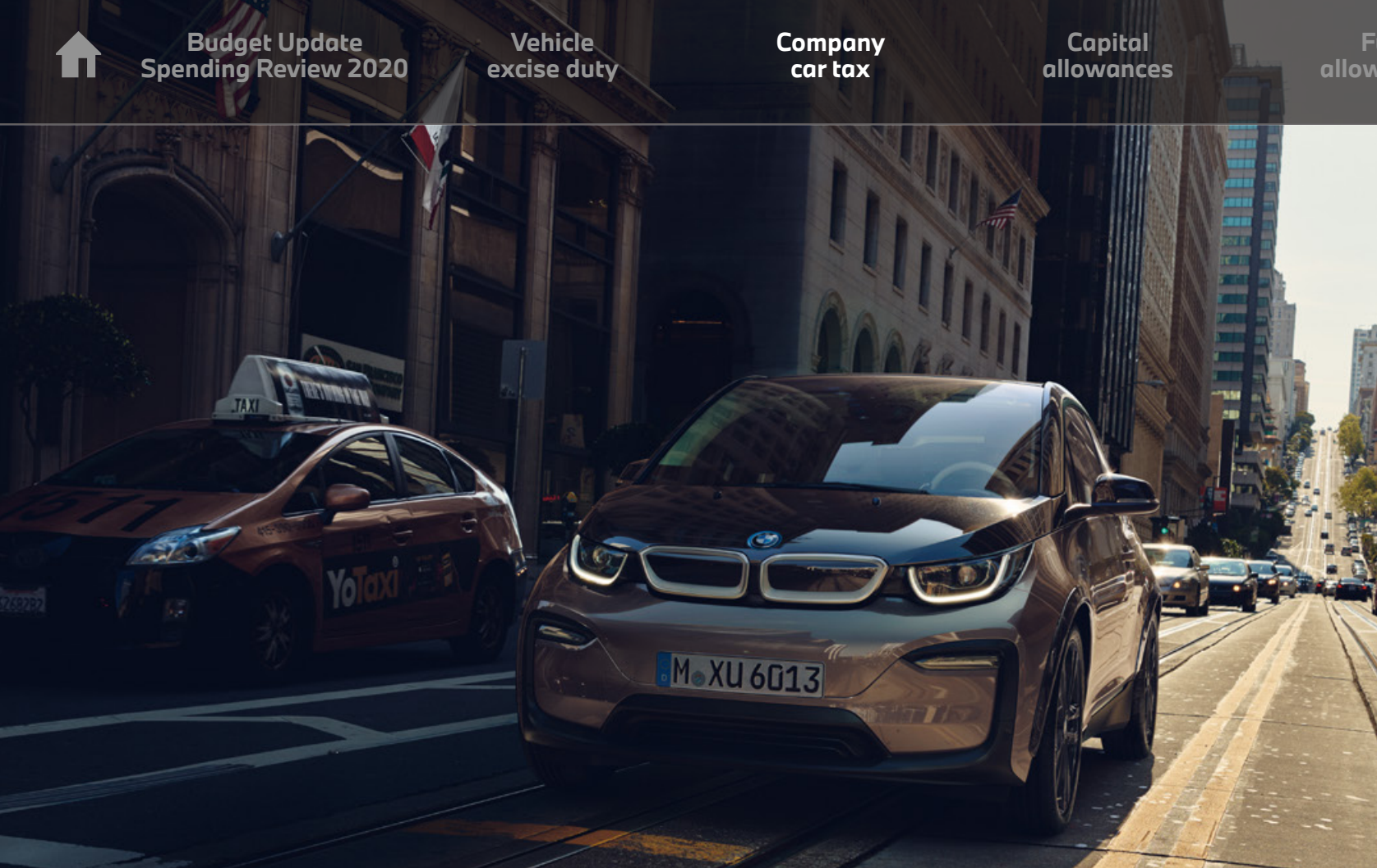
VED Band	CO <sub>2</sub> emissions (g/km)	First year rate (£)	First year rate (diesels) (£)*	Standard rate Yr2 on (under £40,000) (£)	Standard rate Yr2 on (over £40,000) (£)**
A	0	0	0	0	0
B	1-50	10	25	150	475
C	51-75	25	110	150	475
D	76-90	110	135	150	475
E	91-100	135	155	150	475
F	101-110	155	175	150	475
G	111-130	175	215	150	475
H	131-150	215	540	150	475
I	151-170	540	870	150	475
J	171-190	870	1,305	150	475
K	191-225	1,305	1,850	150	475
L	226-255	1,850	2,175	150	475
M	Over 255	2,175	2,175	150	475

\* Applies to diesel vehicles that do not meet the Real Driving Emissions Step 2 (RDE2) standard. Alternative fuel vehicles, including hybrids, bio-ethanol and LPG, pay £140 a year. \*\* Cars with a list price over £40,000, except those with zero CO<sub>2</sub> tailpipe emissions, pay an additional rate of £325 on top of the standard for five years following the first year rate, after which the rate reverts to the standard rate. 2020/21 rates apply from 1 April 2020





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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 distance they can cover with zero emissions has a bearing on tax liabilities.

On 6 April 2020, the way in which BIK tax is calculated underwent substantial reform. Cars registered before 6 April 2020 are taxed according to the bands announced at the phase-in of WLTP in September 2017, with rates frozen until the end of 2022/23 shown in the table (right).

Registrations after this date use WLTP CO<sub>2</sub> figures, shown in the table on the next page, with the two tiers aligning in 2022/23,

For diesels that do not meet Real Driving Emissions Step 2 (RDE2) standards, a 4% tax charge applies, shown in brackets. In 2020/21, cars with zero CO<sub>2</sub> emissions, such as the BMW i3, are exempt from BIK tax regardless of their registration date.

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**Taxable percentages of P11D value:  
cars first registered before 6 April 2020**

		2020 – 2023		
CO <sub>2</sub> emissions (g/km)	Zero emissions range <sup>1</sup>	BIK % 2020/21	BIK % 2021/22	BIK % 2022/23
0	All	0 (4)	1 (5)	2 (6)
1-50	Over 130	2 (6)	2 (6)	2 (6)
1-50	70-129	5 (9)	5 (9)	5 (9)
1-50	40-69	8 (12)	8 (12)	8 (12)
1-50	30-39	12 (16)	12 (16)	12 (16)
1-50	Up to 30	14 (18)	14 (18)	14 (18)
51-54	-	15 (19)	15 (19)	15 (19)
55-59	-	16 (20)	16 (20)	16 (20)
60-64	-	17 (21)	17 (21)	17 (21)
65-69	-	18 (22)	18 (22)	18 (22)
70-74	-	19 (23)	19 (23)	19 (23)
75-79	-	20 (24)	20 (24)	20 (24)
80-84	-	21 (25)	21 (25)	21 (25)
85-89	-	22 (26)	22 (26)	22 (26)
90-94	-	23 (27)	23 (27)	23 (27)
95-99	-	24 (28)	24 (28)	24 (28)
100-104	-	25 (29)	25 (29)	25 (29)
105-109	-	26 (30)	26 (30)	26 (30)
110-114	-	27 (31)	27 (31)	27 (31)
115-119	-	28 (32)	28 (32)	28 (32)
120-124	-	29 (33)	29 (33)	29 (33)
125-129	-	30 (34)	30 (34)	30 (34)
130-134	-	31 (35)	31 (35)	31 (35)
135-139	-	32 (36)	32 (36)	32 (36)
140-144	-	33 (37)	33 (37)	33 (37)
145-149	-	34 (37)	34 (37)	34 (37)
150-154	-	35 (37)	35 (37)	35 (37)
155-159	-	36 (37)	36 (37)	36 (37)
160+	-	37 (37)	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





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# COMPANY CAR TAX CONTINUED

BIK tax percentages for new cars first registered from 6 April 2020 are shown in the table (right).

CO<sub>2</sub> and fuel consumption information for all BMW cars is available at the Vehicle Certification Agency website at [www.vehicle-certification-agency.gov.uk](http://www.vehicle-certification-agency.gov.uk)

Click **here** to access the BMW Company Car Tax Calculator.

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**Example:**  
**BIK tax liability calculation**  
A new BMW 118i M Sport 5dr has a P11D price of £27,535 and WLTP-derived CO<sub>2</sub> emissions of 134g/km, putting it in the 29% BIK band in 2020/21. £27,535 x 29% gives a taxable value of £7,985, equating to yearly BIK tax of £1,597 (£133/month) for a 20% tax payer, or £3,194 a year (£266/month) for a 40% tax payer.

Taxable percentages of P11D value: cars first registered from 6 April 2020		2020 – 2023		
CO <sub>2</sub> emissions (g/km)	Zero emissions range <sup>1</sup>	BIK % 2020/21	BIK % 2021/22	BIK % 2022/23
0	All	0 (4)	1 (5)	2 (6)
1-50	Over 130	0 (4)	1 (5)	2 (6)
1-50	70-129	3 (7)	4 (8)	5 (9)
1-50	40-69	6 (10)	7 (11)	8 (12)
1-50	30-39	10 (14)	11 (15)	12 (16)
1-50	Up to 30	12 (16)	13 (17)	14 (18)
51-54	-	13 (17)	14 (18)	15 (19)
55-59	-	14 (18)	15 (19)	16 (20)
60-64	-	15 (19)	16 (20)	17 (21)
65-69	-	16 (20)	17 (21)	18 (22)
70-74	-	17 (21)	18 (22)	19 (23)
75-79	-	18 (22)	19 (23)	20 (24)
80-84	-	19 (23)	20 (24)	21 (25)
85-89	-	20 (24)	21 (25)	22 (26)
90-94	-	21 (25)	22 (26)	23 (27)
95-99	-	22 (26)	23 (27)	24 (28)
100-104	-	23 (27)	24 (28)	25 (29)
105-109	-	24 (28)	25 (29)	26 (30)
110-114	-	25 (29)	26 (30)	27 (31)
115-119	-	26 (30)	27 (31)	28 (32)
120-124	-	27 (31)	28 (32)	29 (33)
125-129	-	28 (32)	29 (33)	30 (34)
130-134	-	29 (33)	30 (34)	31 (35)
135-139	-	30 (34)	31 (35)	32 (36)
140-144	-	31 (35)	32 (36)	33 (37)
145-149	-	32 (36)	33 (37)	34 (37)
150-154	-	33 (37)	34 (37)	35 (37)
155-159	-	34 (37)	35 (37)	36 (37)
160-164	-	35 (37)	36 (37)	37 (37)
165-169	-	36 (37)	37 (37)	37 (37)
170+	-	37 (37)	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





# CAPITAL ALLOWANCES AND LEASE RENTAL RESTRICTION

Company cars bought outright are eligible for write-down allowances, where capital outlay can be offset against tax. The threshold is based on CO<sub>2</sub> emissions, set at 110g/km in 2020/21. For cars with CO<sub>2</sub> emissions of 51-110g/km, the capital allowance is 18% a year, while for cars with CO<sub>2</sub> emissions of 111g/km or more, the allowance is 6% a year.

## **100% first year capital allowance**

A 100% first-year capital allowance (FYA) applies to cars with

CO<sub>2</sub> emissions of 50g/km or less, applicable until 31 March 2021, although leasing companies are excluded. From April 2021, the 100% FYA will apply only to zero-emission vehicles. The 18% WDA will apply to cars with CO<sub>2</sub> emissions of 50g/km or less, with the 6% WDA applying to cars with CO<sub>2</sub> emissions of 50g/km or more.

## **Lease rental restriction**

The amounts payable on lease rentals are normally an

allowable expense for businesses that can be offset against tax, with the threshold set at 110g/km. New cars with CO<sub>2</sub> emissions of 110g/km or less are eligible for 100% of their lease payments to be offset, while for those with CO<sub>2</sub> emissions of 111g/km or more, only 85% is claimable.

From April 2021, the new 50g/km threshold will apply for determining the lease rental restriction for the costs of hiring business cars for more than 45 consecutive days.





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# FUEL ALLOWANCES

### The 'free' fuel benefit

BIK tax is payable by drivers receiving employer-provided 'free' fuel for private mileage in a company car. To calculate it, the Fuel Benefit Charge (FBC) is used – £24,500 in 2020/21.

### Calculating tax due on 'free' fuel

A new BMW 118i M Sport 5dr has WLTP-derived CO<sub>2</sub> emissions of 134g/km giving a BIK tax percentage of 29% in 2020/21. Its WLTP combined fuel consumption figure is 47.9mpg. £24,500 x 29% gives a taxable value of £7,105. Multiplying by the driver's tax rate (20% or 40% in 2020/21) derives annual tax due of £7,105 x 20% = £1,421, or £7,105 x 40% = £2,842.

With the average price of unleaded at £5.21/gal or £1.14/litre (November 2020), £1,421 will buy around 272 gallons (1,236 litres) for a 20% tax payer; for a 40% tax payer, it is 545 gallons (2,477 litres). Multiplying each by the BMW 118i M Sport's combined fuel consumption of 47.9mpg gives 13,028 miles for a 20% tax payer, or 26,105 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 as it will cost less than the tax you pay. If you drive more private miles, you are better off paying the tax.

### Business mileage, private car

The HMRC mileage allowance payments (MAPs) for business mileage reimbursement in a private car are shown below for 2020/21.

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

### Mileage Allowance Payment (MAP) rates 2020/21

	Up to 10,000 miles	Over 10,000 miles
All cars	45p	25p



# CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

Class 1A National Insurance Contributions (NIC) are payable by the employer on the company car benefit and employer-provided 'free' fuel for private use, charged at the rate of 13.8% of taxable value.

For the 'free' fuel calculation in 2020/21, the Fuel Benefit Charge (FBC) of £24,500 applies to the car's taxable value in 2020/21.

## Calculating Class 1A NIC – cars

A BMW 118i M Sport 5dr, with a P11D price of £27,535 and WLTP CO<sub>2</sub> emissions of 134g/km, has a tax charge of 29% of P11D value in 2020/21.

£27,535 x 29% gives a taxable value of £7,985. Multiplying by 13.8% derives the annual Class 1A NIC contribution due – £1,102.

## Calculating Class 1A NIC – 'free' fuel in 2020/21

Multiplying the FBC figure of £24,500 by the BMW 118i M Sport 5dr's 29% tax charge gives a taxable value of £7,105. Multiplying by 13.8% derives the annual Class 1A NIC due – £980.

For further information on Class 1A NIC on car and fuel benefits, click **here**.





# GOVERNMENT PLUG-IN GRANTS EXTENDED TO 2022/23

The Budget announced the provision of £403 million for the Plug-in Car Grant, extending it to 2022/23, and £129.5 million to extend the Grants to zero-emission vans, taxis and motorcycles.

£500 million over the next five years was also allocated to support the rollout of a fast-charging network for electric vehicles, including a Rapid Charging Fund to help businesses with the costs of installing high-power charging points. The

Government Plug-in Grant for ultra-low emissions vehicles is available only to cars with zero emissions of CO<sub>2</sub>. The grant is a maximum of £3,000 per car and the BMW i3 is Government-approved as eligible for the grant.

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 cost of installing

a charge point at home, capped at £350 inc VAT. Enhanced Capital Allowances (ECAs) are also available for companies investing in electric vehicle charge points, with the allowance applicable until 31 March 2023.

## Further information

For more information on the Government Plug-in Grant scheme and a list of grant-eligible vehicles, click [here](#).