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# THE BMW GUIDE

TO COMPANY CAR TAX AUTUMN 2021





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# INTRODUCTION

A continued freeze on fuel duty into 2023 (the 12th consecutive year without a rise) and the announcement of small but significant changes to Company Car Tax and Vehicle Excise Duty from April 2022 were confirmed in the Autumn Budget and Spending Review on 27 October.

While the Autumn Budget confirmed that new Benefit-in-Kind tax rates which take effect from 5 April 2022 will remain

frozen until 2024/2025, drivers of 100% electric cars with CO<sub>2</sub> emissions of 0g/km will see their BIK tax rates rise from 1% to 2% of taxable value on the same date.

This hints at the future direction of company car tax, and further incentivises drivers to select cars with zero emissions of CO<sub>2</sub> when driving prior to the UK ban on new petrol and diesel car sales (except for some hybrids) in 2030.

A Retail Price Index-linked rise in Vehicle Excise Duty for cars and vans from 1 April 2022, with zero-emission cars and vans remaining exempt, will accompany a Consumer Price Index-related increase in the Van Benefit Charge and Car and Van Fuel Benefit Charges from the same date.

This BMW Guide to Company Car Tax offers explanations and guidance to the findings from the Autumn Review.

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 (October 2021). 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. 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.BMW.co.uk](http://www.BMW.co.uk) and at [www.vehicle-certification-agency.gov.uk](http://www.vehicle-certification-agency.gov.uk). **UK model specifications may vary.**





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# VEHICLE EXCISE DUTY

Vehicle Excise Duty (VED) rates for 2022/23 are shown in the table *(right)*.

Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to increased first-year rates.

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 cars registered on or after 1 April 2018, with higher rates for non-RDE2-compliant diesels.
- > **Standard rate (yr2 onwards):** £165 – 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):** £520 – cars with CO<sub>2</sub> emissions of 1g/km or over with a list price over £40,000.

VED rates 2022/23

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	165	520
C	51-75	25	120	165	520
D	76-90	120	150	165	520
E	91-100	150	170	165	520
F	101-110	170	190	165	520
G	111-130	190	230	165	520
H	131-150	230	585	165	520
I	151-170	585	945	165	520
J	171-190	945	1,420	165	520
K	191-225	1,420	2,015	165	520
L	226-255	2,015	2,365	165	520
M	Over 255	2,365	2,365	165	520

\* 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 £155 a year. \*\* 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 £355 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2022/23 rates apply from 1 April 2022.





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# COMPANY CAR TAX

Company car 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 significant 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 structure and are shown in the table (right). New car registrations use WLTP CO<sub>2</sub> figures and are shown on the next page.

The two tiers align in 2022/23 and then apply until 31 March 2025. For diesels that do not meet the Real Driving Emissions Step 2 (RDE2) standard, a 4% tax charge applies (in brackets).

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

Click **here** for more on Company Car Tax >

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.





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# COMPANY CAR TAX CONTINUED

BIK tax percentages for cars first registered after 6 April 2020 use WLTP figures and are shown in the table (right). The Chancellor confirmed in the Autumn Budget that 2022/23 BIK tax percentages will continue unchanged until 31 March 2025.

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)

< Previous page, click **here**

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

**Example: BIK tax liability calculation**

A new 100% electric BMW i4 eDrive40 Sport has a P11D price of £51,850, range of 358 miles and CO<sub>2</sub> emissions of 0g/km, putting it in the 1% BIK band in 2021/22. £51,905 x 1% gives a taxable value of £519, equating to yearly BIK tax of £104 (£9/month) for a 20% tax payer, or £207 a year (£17/month) at 40%.

Taxable percentages of P11D value: cars first registered after 6 April 2020		2021 – 2025	
WLTP 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	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.





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# 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 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%.

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

emissions of CO<sub>2</sub> in 2021/22, although leasing companies are unable to claim the allowance.

A 130% 'super deduction' allowance, effective from 1 April 2021 to 31 March 2023, applies to expenditure on new main pool items – such as vans and charging equipment but excluding company cars – allowing tax reductions of up to 25p for every £1 invested.

Electric vans with zero emissions of CO<sub>2</sub> when driving are

also eligible for a 100% FYA until 31 March 2025 provided the Government Plug-in Van Grant has also not been claimed. All other vans are eligible for an 18% annual capital allowance.

## Lease rental restriction

Lease rentals can be offset against tax, with the threshold set 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 payments to be offset, while only 85% is claimable for those with CO<sub>2</sub> emissions of 51g/km or more.





# 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 – £24,600 in 2021/22.

## Calculating tax due on 'free' fuel

A new BMW X2 xDrive25e M Sport Plug-in Hybrid has WLTP-derived CO<sub>2</sub> emissions of 40g/km and an all-electric range of 32 miles giving a BIK tax percentage of 11% in 2021/22. Its WLTP combined fuel consumption figure is 156.9mpg. £24,600 x 11% gives a taxable value of £2,706. Multiplying by the driver's income tax rate derives annual tax of £2,706 x 20% = £541, or £2,706 x 40% = £1,082.

With the average price of unleaded at £6.16/gal or £1.35/litre (October 2021), £541 will buy around 88 gallons (400 litres) for a 20% tax payer. For a 40% tax payer, it is 176 gallons (800 litres).

Multiplying each by the BMW X2 xDrive25e M Sport's combined fuel consumption of 156.9mpg gives 13,785 miles for a 20% tax payer, or 27,570 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.

As electricity is not a fuel, there is no fuel scale charge and drivers of 100% electric cars pay no BIK tax on fuel at all.

## Business mileage, private car

HMRC-approved mileage allowance payments (AMAPs) – the tax and NIC-free amounts claimable by a driver using his/her own car for business mileage – are shown below for 2021/22.

## AMAP reimbursement rates 2021/22

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





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# CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

Class 1A National Insurance Contributions (NIC) 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 hybrids, the number of zero-emission miles the car can drive has a bearing on tax payable. As electricity is not a fuel there is no fuel scale charge for 100% electric cars, so they are exempt from Class 1A NIC liability on the 'free' fuel benefit.

## Calculating Class 1A NIC – cars

A fully electric BMW iX3 M Sport, with a P11D price of £59,675 and WLTP CO<sub>2</sub> emissions of 0g/km, has a tax charge of 1% of P11D value in 2021/22.

£59,675 x 1% gives a taxable value of £597. Multiplying by 13.8% derives the annual Class 1A NIC contribution – £82.

## Calculating Class 1A NIC – 'free' fuel in 2021/22

As electricity is not classed as a fuel, there is no fuel scale charge for fully electric cars in 2021/22, so the BMW iX3 M Sport is exempt from Class 1A NIC.

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





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# GOVERNMENT PLUG-IN GRANTS

The Government Plug-in Grant is available 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. Click **here** for a list of grant-eligible vehicles.

In line with the **Government's Ten Point Plan for a Green Industrial Revolution**, 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.

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 home charge point, capped at £350 inc VAT. Enhanced Capital Allowances (ECAs) are also available for companies investing in charge points, 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**.

\*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. Imagery is indicative only. **UK model specifications may vary.**