



# Business guide to going green

Everything you need to know when developing your company's electric vehicle policy.



**No one can afford to ignore climate issues but there is help available for businesses heeding the green message**



*"A tax efficient way of extracting profits from your business..."*

**Jon Miles, Tax Director**

At Richardson Swift we specialise in advising owner managers and small to medium-sized businesses on how to use current tax law to enhance their operations and maximise profit right through the company's lifecycle. From compliance to outsourced financial director services, our expert team prides itself on getting to know our clients so we can not only meet their needs but anticipate them.

## **What are the tax reliefs if my business buys an electric car?**

If your business buys the car outright or using finance (e.g., Hire Purchase), the business will qualify for a 100% first year capital allowance. i.e., the business can claim the full cost of the vehicle in the first year against taxable profits. This provides a lucrative cash flow benefit to the business that is not available for other cars.

These only get a 6%-18% write down allowance each year depending on the CO2 emissions.

To qualify for the 100% capital allowance, the car must be brand new or its only prior use was that of a demonstration vehicle. For a second-hand electric car, these will only qualify for the standard 18% write down allowance each year.

In relation to electric hybrid cars, be aware the 100% first year capital allowance is no longer available for these. For hybrid cars these will only qualify for the standard 6%-18% write down allowance based upon the CO2 emissions figure, even if the car can operate for a distance on electric only power.

In relation to the previously announced super deduction for companies, electric cars unfortunately do not qualify for the super deduction.

# What is the company car benefit in kind P11D tax charge?

If a business provides an electric car to an employee or director that is available for personal use, the taxable benefit on the relevant employees will be based upon the list price when new multiplied by 1% for the current year to 5 April 2022. For the year to 5 April 2023 this percentage increases to 2%. See below:

For example, a Tesla Model 3 with a list price of £40,990 would generate the following tax liabilities:

TESLA MODEL 3 EXAMPLE	YEAR TO 5 APRIL 2022	YEAR TO 5 APRIL 2023
Taxable benefit	£409	£818
Personal income tax if a basic rate taxpayer	£163	£327
Personal income tax if a higher rate taxpayer	£327	£654
National Insurance liability for business	£56	£112

For electric hybrid cars, the benefit in kind percentage will be based upon the CO2 emission figure for the car and upon the electric only range if the CO2 is below 50g/km. Although the benefit is likely to be lower than a standard petrol/diesel car, it will not be as low as an electric only car. If you are considering acquiring a hybrid car and would like to know the personal tax cost, please let us know what model you have in mind, and we can give you an idea of the tax charge.

## Can I use an electric car as a pool car?

Yes, but the car must still meet the pool car rules in full. There are no specific exemptions to the rules for electric cars. To qualify as a pool car all the following conditions must be satisfied in full:

- It is available to, and used by, more than one employee.
- It is made available, in the case of each of those employees, by reason of their employment.
- It is not ordinarily used by one of them to the exclusion of the others.
- Any private use by an employee is merely incidental to their business use of it.
- It is not normally kept overnight on or near the residence of any of the employees unless it's kept on premises occupied by the provider of the car.

If the car is stored most nights at a residential address (e.g., for charging), it would not normally qualify as a pool car. However, as you can see above, the taxable benefit charge for an electric car is much lower than a petrol/diesel car.



# Can my company pay for a charging point to be installed at home?

Yes! If used for a company car, a business can pay for a charging point to be installed at the employee/director's home without incurring a tax charge on the employee. The business can also claim tax relief on the cost.



## Can an employee/director claim for the cost of electric if the car is charged at home?

If the car is charged at a home charging point, an employer if it wishes can either:

- reimburse an employee for the cost of the electric used for business journeys without the employee incurring a tax charge (i.e., electric used for commuting or private journeys is not reimbursed), or
- as an alternative, mileage at the HMRC company car advisory fuel rate (currently 5p per mile for electric cars) can be used for calculating the cost of business journeys.

## Can my business claim back the VAT on the car purchase?

The rules for VAT are the same as other cars. If the vehicle is available for private use, the VAT on the purchase cannot be reclaimed. VAT can only be reclaimed if the car is used exclusively for business journeys or potentially as a pool car.



## What about electric vans, are there any differences?

Yes! Electrified vans purchased by companies qualify for the 130% super deduction capital allowance, if purchased before 1 April 2023. Thereafter, they will qualify for a 100% first year allowance. There are no taxable benefits on any employee where it is available for personal use and the business could also qualify for a Plug in Van Grant of up to £8,000.

## Electric bikes?

If you are considering commuting by bike as an alternative option to driving, pedal assisted electric bikes, if used mainly for commuting, qualify for the cycle to work scheme. For electric motorbikes, these do not currently have any specific benefits different to a standard motorbike.

E-cargo bikes (which are often seen as an alternative to the “white van”) also qualify for the 130% Super Deduction if acquired before 1 April 2023. Thereafter, they will qualify for a 100% deduction against taxable profits as part of the Annual Investment Allowance. In addition to the tax benefits, grant funding may also be available making them a very cost-effective alternative to the van.



# The Legal Bit

We hope that you have found this e-book helpful, but please note that though it is based on the latest legislation, it is for guidance only and cannot be construed as advice.

We would always recommend that you consult a qualified accountant or tax adviser before taking any action based upon the contents.

The good news is that the Richardson Swift team are expert chartered accountants and tax advisers and would be happy to help your business navigate the taxation landscape, whether you want to improve your green credentials or maximise profits generally.



**richardson swift**  
CHARTERED ACCOUNTANTS & TAX ADVISERS

**Want to know more?**

**Get in touch for fresh ideas:**

T > 01225 325580

E > [hello@richardsonswift.co.uk](mailto:hello@richardsonswift.co.uk)

W > [richardsonswift.co.uk](http://richardsonswift.co.uk)

A > 11 Laura Place, Bath BA2 4BL