

Company Car Benefit for tax year 2024/25 (Lecture B1242 – 24.26 minutes)

Definition of Car and Van

A car is any mechanically propelled road vehicle except:

- A goods vehicle suited for the conveyance of goods or burden – e.g. a lorry - estate cars and off-road recreational vehicles are cars;
- A motor cycle;
- An invalid carriage;
- A vehicle of a type not commonly used as a private vehicle and unsuitable so to be used, such as a grand prix racing car.

A van is a vehicle of a construction primarily suited for the conveyance of goods or burdens, not people, with a design weight not exceeding 3,500 kilograms.

Double Cab Pick Ups (DCPUs) – all change or not!!

From 6 April 2002, vehicles known as “double cab pick ups” have been classified as cars or vans in line with their VAT treatment.

However, on Monday 12 February 2024, HMRC updated its guidance on the tax treatment of DCPUs following a 2020 Court of Appeal judgment. The guidance confirmed that from 1 July 2024 DCPUs with a payload of one tonne or more would be treated as cars rather than goods vehicles for BIK and capital allowance purposes.

BUT on 19 February 2024 HMRC announced that this guidance would be withdrawn during the “afternoon of Monday 19 February 2024”. The government had listened to the views of farmers and the motor industry on the potential impacts of the change in tax treatment. They acknowledged the new guidance was not “consistent with the government’s wider aims to support businesses including vital motoring and farming industries”.

As a result, DCPUs, with a payload of one tonne or more, will continue to be treated as goods vehicles (company vans) rather than cars and the tax treatment remains the same as before the announcement. DCPUs with a payload of less than 1 tonne continue to be treated as cars.

Expenses of a chauffeur

The expenses incurred by an employer in the provision of a chauffeur whether for a company vehicle or the employee’s own car is a separate benefit assessed on the employee. The cash equivalent is calculated in the same way as other benefits in kind – the cost to the employer of providing that benefit less any payments made by the employee.

Cars and vans in the motor industry

Where, as part of their normal duties, sales staff or demonstrators have to take a vehicle home for the purpose of calling on a prospective customer that alone will not be regarded as private use. If

the vehicle is otherwise available for private use, at weekends or holidays, then a taxable benefit arises.

Calculation of the taxable benefit

Section F of the P11D will have:

- a box for employers to provide the date the car is first registered – this is mandatory;
- a box to show zero emission mileage where CO₂ emissions of 1-50 g/km – the distance it can travel on a single charge.

The taxable benefit of a company car available for private use is calculated by multiplying the car's list price by a certain percentage.

The steps to calculate the taxable benefit are:

1. Find out the full list price of car and accessories;
2. Add the price of non business related accessories, excluding mobile phone;
3. Deduct any capital contribution made by employee, up to a maximum £5,000;
4. Find relevant percentage for car based on CO₂ emissions;
5. Multiply figure in step 3 by the percentage in step 4;
6. Make deduction for periods of unavailability;
7. Make deduction for contributions to private use, if any;
8. Make adjustment if car is shared between employees.

List price

The list price of the car is “the inclusive price published by the manufacturer, importer or distributor of the case if sold singly in a retail sale in the open market in the UK on the day before the car’s first registration”.

The list price can be reduced by any one-off contribution the employee makes towards the capital cost, up to a maximum of £5,000.

List price means the manufacturers UK price, for a single purchase, not a dealers advertised price or price paid which may incorporate discounts and cashbacks from list price

PLUS

- standard accessories;
- extra non business essential accessories added, i.e. non standard, at their list price including fitting and VAT (excludes business related accessories, mobile phone, equipment for disabled drivers);
- delivery charges plus VAT; and

- VAT, car tax, duty but not road fund licence or new car registration fee.

For classic cars over 15 years old at the end of the tax year with a market value for the year of at least £15,000 the "list price" is taken as the market value. Market value is the price on the open market on the last day of the tax year the car was available to the employee.

Accessories

A qualifying accessory is one which is:

- made available for use with the car without transfer of the property in the accessory, so excludes accessories the employee buys & owns for use in the car;
- made available by reason of the employee's employment;
- attached to the car, whether permanently or not - e.g. roof rack but not loose tools or maps.

Accessories added to the car will exclude any equipment which is necessarily provided for the employee to use in the performance of their duties – such as roof box to carry samples or a tow bar or tool rack in boot.

Where accessories are added at a later date, after delivery, the list price is increased by the cost of those items - unless the price is less than £100. However, replacement items do not increase the list price assuming it is a "like for like" replacement. But if the replacement is superior to the original the list price must be changed by removing old and adding replacement.

Percentage for calculation

This is set out in Appendix 2 of HMRC 480 Guide.

The percentage to be applied to the list price to calculate the taxable benefit figure is based on the CO₂ emissions of the car.

The exact CO₂ figure is rounded down to the nearest 5g/km for the purposes of the calculation of the taxable benefit.

Once the CO₂ emission is set it applies for the life of the car.

2025-26 and future

On 24 November 2022, the new CO₂ emissions tables of rates for calculating company car benefits were published for tax years 2025/26 to 2027/28.

These are subject to change in the Budget or post election.

For zero emission and ultra-low emission vehicles emitting less than 75g of CO₂ per kilometre:

- 2025/26 increase by 1%
- 2026/27 increase by further 1%
- 2027/28 increase by a further 1% up to a maximum appropriate percentage of 5% for zero emissions electric cars and 21% for ultra-low emission cars (75g of CO₂)

Rates for all other vehicles will increase by 1% for 2025/26 tax year up to maximum 37% and then be frozen for 2026/27 and 2027-28.

2023/24 and 2024/25 tax years HMRC 480 Appendix 2

CO2	Electric range	NEDC% 23/24 & 24/25	WLTP% 23/24 & 24/25
0	N/A	2%	2%
1 - 50	over 130	2%	2%
1-50	70-129	5%	5%
1-50	40-69	8%	8%
1-50	30-39	12%	12%
1-50	under 30	14%	14%
51-54		15%	15%
55-59		16%	16%
60-64		17%	17%
65-69		18%	18%
AND 1% increments for each 5 g/km up to			
150-154		35%	35%
155-159		36%	36%
160-164		37%	37%
165 -169		37%	37%
170 and over		37%	37%

Diesel cars - For both NEDC and WLTP add 4% for diesel cars up to maximum of 37%, unless Real Driving Emissions Step 2 (RDE2) compliant. The 4% diesel supplement does not apply to diesel plug in hybrids, regardless of RDE2 compliance.

Reduction in benefit where “unavailable” for private use

The taxable benefit will only be charged where the car is **available for private use**, whether or not the employee actually uses it. The tax charge is reduced if the car is unavailable for use by the employee, e.g. it is in the garage for repairs over a long period of time. To be effective any period of unavailability must be at least 30 consecutive days. If a replacement car is provided there may well be no reduction in the benefit unless the replacement is of a lower standard. Where the employee has only had the use of a company car for part of the tax year the benefit is charged for that period on a pro rata basis.

Reduction in benefit where employee pays for private use

Where an employee is required to make a payment for the private use of the car the taxable benefit will be reduced accordingly, pound for pound. Such payments made by the employee must be disclosed on form P46(car). The payment must be made as a condition of the car being available for private use, be paid in the tax year and specifically for the private use.

Fuel Scale charge for company car available for private use

Where the employer pays all the fuel costs for an employee with a company car, whether the fuel is used on business travel or private mileage, a fuel scale charge arises. This must be reported to HMRC on forms P46(car) and P11D.

The taxable benefit for fuel is calculated by multiplying a fixed figure by a percentage. The percentage figure is the same used to calculate the car benefit charge for the year. **The fixed figure remains at £27,800 for 2024/25 and 2023/24** (2022/23 - £25,300).

To reduce the fuel benefit to NIL the employee must either “make good” the cost of private motoring, including home to work travel, or the fuel must only be supplied for business journeys. When “making good” the cost of private mileage the employee can replace the fuel used for private purposes by buying fuel from their own pocket or by direct payment to the employer. The employee must keep accurate mileage records to identify both business and private journeys.

The **advisory fuel rates** for company car mileage can be used to “make good” the private mileage to ensure the fuel scale benefit does not arise. Any making good must be completed by 6 July following the end of the tax year, if this is not the case it will not be taken into account.

HMRC Advisory Fuel Rates – used where employee is provided with a company car but no fuel and claims back business miles

Fully electric company cars

The advisory rate for a fully electric car remains at **9p per mile from 1st December 2023** previously 10p from 1/9/23 to 30/11/23, 9p from 1/3/23 to 1/9/23, previously 8p from 1 December 2022 and 5p to 30 November 2022.

Hybrid company cars are treated as either petrol or diesel cars for advisory fuel rates.

Company cars other than electric cars

Engine Size Fuel price	Petrol £1.406	LPG 96.5p	Diesel £1.494
From 1 March 2024			
1,400cc or less	13p	11p	
1,401 to 2,000	15p	13p	
Over 2,000	24p	21p	
1,600cc or less			12p
1,601 to 2,000			14p
Over 2,000			19p
From 1 December 2023 to 28 February 2024			
1,400cc or less	14p	10p	
1,401 to 2,000	16p	12p	
Over 2,000	26p	18p	
1,600cc or less			13p
1,601 to 2,000			15p
Over 2,000			20p

Hybrid cars are treated as either petrol or diesel cars for advisory fuel rates. Electricity is not a fuel for car fuel benefit purposes.

Employees can opt out of free fuel at any time during the tax year and enjoy a proportional reduction in their fuel scale charge benefit. The employees are not permitted to opt back into the benefit later in the same tax year.

Contributed by Alexandra Durrant