



# Guide to company car tax.

**April 2021**

## Introduction

Fleet operators are facing, what industry commentators describe as, “unprecedented challenges” from renewed Brexit-related uncertainty to the announcement of a ban on non-electrified car sales from 2030 and the introduction of new company car tax rates with more severe tariffs on vehicle emissions. The global pandemic has exacerbated this and acted as a catalyst for change.

In addition, several major towns and cities – most recently Birmingham, Bath and Oxford have announced Clear Air Zones further adding to the complexities faced by Fleet operators.

With so much changing and so many new things to focus on, here at SEAT For Business we understand that service and relationships are now every bit as important as products.

That’s why we’ve put together this Guide To Company Car Tax to pull together all the relevant information into one place for easy reference.

SEAT have introduced the Leon e-HYBRID (PHEV) this year in both hatchback and estate body styles. PHEVs offer a win / win compromise - you can plug the car into an electricity source to refill their large batteries with many of these vehicles having an electric-only range of 40 miles, meaning most journeys might not use fuel at all. PHEVs tend to be best if you can’t charge at work or home and drive a lot of urban miles offering reduced running costs and reduced CO<sub>2</sub> emissions, which impacts on other fleet operating costs, such as National Insurance Contributions. In addition, with 70% of fleet decision makers saying they’re considering PHEVs for their next order, there’s never a better time to take a look at the Leon e-HYBRID.

In addition, it will really pay to take the time to examine the total cost of ownership of your vehicles and your fleet. Visit our total cost of ownership calculator <https://www.seat.co.uk/fleet-cars/business/fleet-managers/total-cost-of-ownership.html> to see more.

## Company car tax bands

As the Government mandated that Diesels meet the Real Driving Emissions Step 2 (RDE2) standard from January 2021 the Company car tax bands are now simpler for newly registered cars as there is a clear table and no longer a 4% surcharge for Diesel.

## Vehicle excise duty

As all Diesels must now meet the Real Driving Emissions Step 2 (RDE2), Diesels no longer move up a CO<sub>2</sub> emissions band.

## The fuel benefit charge

The Government fuel benefit charge (FBC) used to calculate the tax due on employer-provided fuel for private use is set at £24,600 in 2021/22 tax year.

## Fuel duty

Road fuel duty rates remained unchanged in 2021/22 tax year.

## Class 1A NIC

The percentage used for calculating Class 1A NIC on company cars and fuel in 2021/22 remains at 13.8%.

## Ultra-low emissions vehicles

Cars with CO<sub>2</sub> emissions of less than 50g/km, a zero-emissions range of at least 70 miles and cost less than £50,000 benefit from a Plug-in Car Grant of 35% of their price, up to a maximum of £3,000.

In 2021/22 tax year the Benefit-in-Kind rate for zero-emissions cars is 1%. It then increases to 2% in 2022/23 tax year. The rates will then be frozen at the 2022/23 rates for 2023/24 and 2024/25.

For cars with CO<sub>2</sub> emissions from 1-50g/km, their BiK rate will be determined by their range in zero-emissions mode.

# Vehicle excise duty (VED)

The Vehicle Excise Duty system for new car registrations is summarised below and shown in the table (right).

**First Year Rate** is applied to all new cars, when they are first registered. The First Year Rate is based on the vehicles CO<sub>2</sub> emissions figure.

**Standard Rate** is payable from the second year and priced at £155. Alternative fuelled vehicles receive a £10 reduction and Electric vehicles are exempt.

**Additional Rate** is applied to all vehicles excluding zero emissions with a list price over £40,000 including options. It is an additional £335 per year and is payable from the second year for the next five years.

## First year rate table

WLTP CO <sub>2</sub> emissions (g/km)	Payment
0	£0
1-50	£10
51-75	£25
76-90	£115
91-100	£140
101-110	£160
111-130	£180
131-150	£220
151-170	£555
171-190	£895
191-225	£1,345
226-255	£1,910
Over 255	£2,245

## Standard rate table

Fuel type	Payment
Petrol or diesel	£155
Electric	£0
Alternative	£145



# Company Car Tax

Company Car Tax is more commonly known as Benefit-in-Kind (BiK) tax. To calculate your BiK you need to know the P11D value of the car at first registration, its fuel type and its CO<sub>2</sub> emissions figure. If it is a hybrid you will also need to know its range in zero emissions mode.

In July 2019 the government announced that from 2020/21 tax year there will be two tables running side-by-side to calculate your BiK percentage: one used for cars registered before 6 April 2020 using the NEDC CO<sub>2</sub> figure, the other for those registered from 6 April 2020 using the WLTP CO<sub>2</sub> figure. In the March 2020 budget these rates were confirmed and it was announced that the 2022/23 rates would be frozen for the following 2 years until 2025. In the appropriate table, look up your car's CO<sub>2</sub> emissions figure and find the corresponding BiK percentage. If your vehicle is diesel and not RDE2 compliant you will be subject to the 4% diesel surcharge, up to a maximum of 37%. All vehicles purchased after January 2021 should be RDE2 compliant and therefore not subject to the 4% surcharge. If your hybrid vehicle has a CO<sub>2</sub> emissions figure of no more than 50g/km use the zero-emissions range figure to calculate the BiK percentage.

You then multiply the P11D value of the car by the BiK percentage, round this down to the nearest pound, and then multiply by your personal income tax rate.

## Example: how to calculate the company car tax you pay.

A SEAT Leon FR 1.4 e-Hybrid DSG-auto 204PS registered after 6 April 2021 has a P11D value\* of £32,780, CO<sub>2</sub> emissions of 27g/km and a zero emissions range of 40 miles. CO<sub>2</sub> emissions of 27g/km and a zero emissions range of 40 miles correspond to 7% in the table so the taxable value is £32,780 x 7% = £2,294.

For a 20% tax payer, tax is £2,294 x 20% = £458.80 (£38.23/mth).

For a 40% tax payer, tax is £2,294 x 40% = £917.60 (76.47/mth).

\*Correct at time of publication.

Cars registered before 6 April 2020				Cars registered from 6 April 2020			
CO <sub>2</sub> g/km	Zero emissions range (miles)	2021-23 (%)	2023-25 (%)	CO <sub>2</sub> g/km	Zero emissions range (miles)	2021-23 (%)	2023-25 (%)
0	N/A	1	2	0	N/A	1	2
1-50	>130	2	2	1-50	>130	1	2
1-50	70-129	5	5	1-50	70-129	4	5
1-50	40-69	8	8	1-50	40-69	7	8
1-50	30-39	12	12	1-50	30-39	11	12
1-50	<30	14	14	1-50	<30	13	14
51-54		15	15	51-54		14	15
55-59		16	16	55-59		15	16
60-64		17	17	60-64		16	17
65-69		18	18	65-69		17	18
70-74		19	19	70-74		18	19
75		20	20	75-79		19	20
76-79		20	20	80-84		20	21
80-84		21	21	85-89		21	22
85-89		22	22	90-94		22	23
90-94		23	23	95-99		23	24
95-99		24	24	100-104		24	25
100-104		25	25	105-109		25	26
105-109		26	26	110-114		26	27
110-114		27	27	115-119		27	28
115-119		28	28	120-124		28	29
120-124		29	29	125-129		29	30
125-129		30	30	130-134		30	31
130-134		31	31	135-139		31	32
135-139		32	32	140-144		32	33
140-144		33	33	145-149		33	34
145-149		34	34	150-154		34	35
150-154		35	35	155-159		35	36
155-159		36	36	160-164		36	37
160+		37	37	165+		37	37

# Capital allowances

A car's initial cost, or capital cost, can be offset against corporation tax by a business using capital allowance rules based on the car's emissions of CO<sub>2</sub>. A 100% first year capital allowance – meaning all the capital cost can be offset against tax in the first year – applies to new company cars bought outright with CO<sub>2</sub> emissions of 0g/km. For new company cars with CO<sub>2</sub> emissions of 1-50g/km, the annual allowance is 18% a year, while for cars with CO<sub>2</sub> emissions of 51g/km or more the allowance is 6% a year.

## Lease rental restriction

The amounts a business pays on lease rentals are an allowable expense that can be offset against tax. Cars with CO<sub>2</sub> emissions of 50g/km or less are eligible for 100% of their lease payments to be offset against tax, while for those with CO<sub>2</sub> emissions of 51g/km or more only 85% is allowable.



# Class 1A NIC

Class 1A National Insurance Contributions (NIC) are payable by employers on company cars and car fuel at the rate of 13.8%.

### Example: how to calculate employers' Class 1A NIC

A SEAT Leon SE Dynamic 2.0 TDI 115PS with a P11D value\* of £24,210, has CO<sub>2</sub> emissions of 115g/km. This corresponds to 27% Benefit-in-Kind rate which gives a taxable benefit of £24,210 x 27% = £6,536. When multiplied by 13.8%, the annual Class 1A NIC due on the car is £901.97.

For annual Class 1A NIC on fuel, figures for the car's tax percentage and the Government fuel benefit charge (FBC) - £24,600 in 2021/22 - are used.

Multiply the FBC by the tax percentage and then by 13.8% to calculate the annual NIC due. For the Leon example above, that works out at £24,600 x 27% x 13.8% = £916.60.



\*Correct at time of publication.

# Fuel allowances

### Employer-provided 'free' fuel

Unless you reimburse your employer for the cost of fuel used for your private mileage in a company car, you will pay tax on it. You can calculate the tax you'll pay by using the Government fuel benefit charge (FBC) - £24,600 in 2021/22 tax year. You'll also need your car's combined fuel consumption figure and BiK tax percentage - see example, right. CO<sub>2</sub> and fuel consumption data for all SEAT models is available at [www.seat.co.uk](http://www.seat.co.uk) or the Vehicle Certification Agency at [www.dft.gov.uk/vca](http://www.dft.gov.uk/vca).

### Using your own car for business mileage

If you use your own car for business mileage, you can claim an allowance from your employer based on the HMRC's Approved Mileage Allowance Payments (AMAP) system - the tax and national insurance-exempt rates agreed by HMRC, shown below:

### HMRC AMAP rates 2021/22

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

Mileage reimbursement from your employer at a higher rate than the above figures will incur tax, whereas reimbursement made at a lower rate entitles you to claim tax relief on the difference.

### Example: calculating tax due on 'free' fuel

A new SEAT Leon SE Dynamic 2.0 TDI 115PS has combined fuel consumption of 64.2mpg and CO<sub>2</sub> emissions of 115g/km. If my employer pays for my fuel for private use, how much tax will I pay on it?

**The CO<sub>2</sub> emissions figure of 115g/km** for this model gives it a BiK tax percentage of 27%. Multiplying this by the Government fuel benefit charge of £24,600 gives a taxable value of £6,642. Multiplying again by your marginal tax rate (20% or 40%) gives annual tax payable of £1,328 for a 20% taxpayer, or £2,657 for a 40% taxpayer.

**You then need to work out the cost of** the private mileage you cover in a year. Assuming the national average price for diesel of £5.77/gallon (£1.27/litre), £1,328 will buy around 230 gallons for a 20% taxpayer. For a 40% taxpayer £2,657 will buy 460 gallons. Multiplying the Leon's 64.2mpg combined fuel consumption by 230 gallons gives 14,766 - the private mileage you will need to cover to make the 'free' fuel benefit worthwhile. For a 40% taxpayer the figure is 29,532 miles.

**If you cover fewer private miles** than the calculated figure, paying for the fuel yourself will cost less than the tax. If your private mileage is greater than the calculated figure, you are better off paying the tax.

# Ultra-low emissions vehicles (ULEVs)

Choosing an ultra-low emissions vehicle - or ULEV - as a company car offers drivers BiK tax benefits. The government offers grants to support the wider use of electric and hybrid vehicles via the Office of Low Emission Vehicles (OLEV) to offset the initial cost.

### Cars

For cars that have CO<sub>2</sub> emissions of less than 50g/km, can travel at least 70 miles without any emissions at all and cost less than £50,000. The grant will pay for 35% of the purchase price for these vehicles, up to a maximum of £3,000.

### Electric Vehicle Homecharge Scheme

The Electric Vehicle Homecharge Scheme (EVHS) provides grant funding of up to 75% towards the cost of installing electric vehicle smart charge points at domestic properties across the UK. The grant is a 75% contribution towards the cost of one charge point and its installation up to a maximum of £350 (including VAT) per household/eligible vehicle.

### Workplace Charging Scheme

The Workplace Charging Scheme (WCS) is a voucher-based scheme that provides support towards the up-front costs of the purchase and installation of electric vehicle charge points, for eligible businesses, charities and public sector organisations. The contribution is limited to 75% of purchase and installation costs, up to a maximum of £350 for each socket, up to a maximum of 40 across all sites.



Official fuel consumption for the SEAT range (excluding Mii electric) mpg (litres/100km) combined: 29.7(9.5) – 61.4(4.6). Combined CO<sub>2</sub> emissions 207 – 121 (g/km).

Figures shown are for comparability purposes; only compare fuel consumption and CO<sub>2</sub> figures with other vehicles tested to the same technical procedures. These figures may not reflect real life driving results, which will depend upon a number of factors including the accessories fitted (post-registration), variations in weather, driving styles and vehicle load.

The SEAT Mii electric has a range of 161 miles combined city and motorway driving. Combined CO<sub>2</sub> emissions 0 (g/km).

The SEAT Mii electric figures were obtained after the battery had been fully charged. The Mii Electric is a battery electric vehicle requiring mains electricity for charging. Figures shown are for comparability purposes. Only compare fuel consumption, CO<sub>2</sub> and electric range figures with other vehicles tested to the same technical procedures. These figures 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 and vehicle load. Zero emissions while driving.

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CO<sub>2</sub> emissions can change if a different-sized alloy wheel is ordered with the vehicle and may also lead to a change to VED and BIK tax liabilities.

