



*Gilliland & Company*  
Chartered Accountants

## Is your company making the most of tax incentives on electric cars?

### Why should I consider an electric car?

As the Government takes steps towards a more sustainable future here in the UK, we are seeing increasing incentives introduced to tempt UK businesses to bid farewell to their traditional internal combustion engines in favour of pure electric or 'plug in' hybrid company cars.

Technological advancements have made electric cars a more viable and affordable option for businesses and employers. As well as cleaner, more efficient transport and reduced running costs, tax incentives are available to those who opt for ultra-low emission vehicles with CO2 emissions that are 50g/km or less.

Businesses that are prepared to take steps towards reducing their emissions and invest in new, low and zero emission vehicles, are being rewarded with enhanced Capital Allowances, interest-free loans (in Scotland) and Benefit in Kind (BIK) and National Insurance savings.

### What are the tax incentives for me as a business owner and/or employer?

One factor that often discourages businesses from adopting electric company cars is the initial cost of the acquisition. Enhanced capital allowances (ECAs) have been introduced to ease these acquisition costs.

Until 31 March 2021 (for corporation tax) or 5 April 2021 (for income tax), new electric cars and some hybrids will qualify for 100% first year allowance.

These ECAs also extend to expenditure incurred upon the purchase and installation of workplace charging points. These allowances are now available until 31 March/5 April 2023 and any additional maintenance or upkeep costs after this date will be covered by a 100% annual investment allowance.

In Scotland, interest free loans of up to 6 years are potentially available under the Low Carbon Transport Business Loan Scheme in order to subsidise the transition to electric vehicles.

Employers may also utilise a salary sacrifice company car scheme which generates employer national insurance savings.

### What are the tax incentives for me as an employee?

Plans have been announced to drop the BIK rate for electric vehicles from 16% currently to 0% effective from 6 April 2020 with a commitment to increase only to 1% in 2021 and 2% in 2022 an annual average of only 1%. This applies not only to pure electric vehicles but also to vehicles with CO2 emissions of up to 50g/km and at least 130 miles of electric-only range. On a £30,000 car, when compared with typical BIK rates (circa 25%) for non-electric vehicles, this would result in an annual tax saving for higher rate taxpayers of c. £3,000.

BIK savings are also seen with regards to personal fuel charges. There is no taxing provision for the charging of electric cars as electricity is not classified as a fuel by car benefit regulations. This allows employees to charge their vehicles at the workplace without giving rise to a personal fuel BIK.

### Would an electric car work for me and my business?

It is clear the UK government is currently keen to incentivise businesses to consider low-emission vehicles but as we move towards a future where these will potentially become the default choice, it is also likely that these incentives will cease.

If you are considering electric vehicles for your company, make sure you get in contact with us. We will be able to help you decide if investing in electric company cars is the right move for your business and we will ensure that we maximise the tax incentives currently available so that you receive the best benefit possible.

For further information on the tax treatment of electric vehicles, including vans, taxis and motorcycles, or any other tax queries relating to other areas of your business, please contact Sharon Wood on 0141 226 8484 or [sharon.wood@gillilandca.com](mailto:sharon.wood@gillilandca.com)