



COUNTER VIEW *with*

Darren Austin at Synergee

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Whilst there is still some doubt about the green credentials of electric cars, there is no doubt that they are currently very tax efficient when provided as a company car, compared to an equivalent priced petrol or diesel vehicle. The amount a recipient of a company car is taxed on annually is a percentage of the manufacturers list price when new. With an electric car, this is currently 2%. If a director or employee is provided with an electric car costing £50k, they will be taxed on £1k per year. If a 40% taxpayer, this will equate to £400 income tax. Compare this to a petrol car, which could have a percentage of say 30%, and the taxable benefit would be £15k (£50K x 30%) which would be a tax bill of £6K for a 40% taxpayer. The company will also receive tax relief on the cost of the electric car, either upfront if purchased new, or over the life of the lease if rented.

In addition to the above, the provision of fuel for petrol/diesel cars leads to an additional taxable benefit if it is used for personal mileage. Electric cars are different as they are charged, quite often at home. HMRC previously took the view that reimbursing home charging costs, unless the car was used solely for business, led to a taxable benefit. However, whilst this was their view, it was not in line with the underlying legislation (S149(4) ITEPA 2003) which specifically states: 'References in this section to fuel do not include any facility or means for supplying electrical energy'. Following a campaign by the ICAEW, HMRC have now accepted that they were wrong and have updated their guidance. As long as the electricity reimbursed to the employee solely relates to the charging of the company car, it is tax free in the hands of the employee and obtains tax relief in the company.