

JULY 2023



GUIDE TO COMPANY CAR TAX

CUPRA FOR BUSINESS



INTRODUCTION

The March 2023 Budget made no specific changes to car tax rates, so the Benefit-in-Kind tax of two per cent for fully electric company cars will remain frozen until 2025. And as previously announced, VED is set to be introduced to electric vehicles from April 2025. For drivers of petrol, diesel and hybrid cars, the Chancellor announced that the current freeze on fuel duty and the temporary £0.05p cut per litre remain in place for another twelve months.

Meanwhile, the government continues to pave the way for all new car and van sales to be zero-emission by 2035, by launching a consultation on its plans for a zero-emission vehicle (ZEV) mandate. Add in the fact that businesses are facing increasing pressure to decarbonise, and it's clear that now is the time to consider making the switch to electric.

For businesses considering the possibility of electrifying their fleets, it's worth noting that, even though energy prices have risen, charging at home or work using a renewable energy tariff specially designed for EV drivers is still significantly cheaper than traditional fuels. And with two new 100% electric models being introduced to join multi-award-winning Born - the Tavascan anticipated in 2024 and the Raval anticipated in 2025 - we're shaping an electric future that's looking bright indeed. And of course, while you're thinking ahead, the firm-fleet favourites Born and Formentor e-HYBRID ensure you can find your perfect alternative-fuel CUPRA today.

COMPANY CAR TAX BANDS

Company Car Tax bands are set to remain as they are for the next 2 years, with Benefit-in-Kind rates increasing by 1% in 2025/26. For low emission bands below 75 g/km, the Benefit-in-kind will increase by 1% a year for the following 2 years to 2027/28.

VEHICLE EXCISE DUTY

Vehicle excise Duty had increases to first year rates and standard rates. It was also announced that from 2025 zero emission vehicles will be eligible for the standard rate of tax from the second year onwards at that time the expensive car supplement exemption for zero emission vehicles will also be ending and cars registered after 1 April 2025 will be liable to pay the expensive car supplement.

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 £27,800 in 2023/24 tax year

FUEL DUTY

Last year's 5p per litre cut in fuel duty will remain in place for 2023/24.

CLASS 1A NIC

The percentage used for calculating Class 1A NIC on company cars and fuel in 2023/24 has returned to the 13.8% rate.

VEHICLE EXCISE DUTY (VED)

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

First Year Rate is applied to all new cars, when they are first registered. The First Year Rate is based on vehicle's CO₂ emissions figure.

Standard Rate is payable from the second year and priced at £180. Alternative fuelled vehicles receive a £10 reduction, zero emission vehicles are currently exempt, however from 1 April 2025 zero emission vehicles and alternative fuelled vehicles also will be eligible for the standard rate.

Additional Rate is applied to all vehicles excluding zero emissions with a list price over £40,000 including options. It is an additional £355 per year and is payable from the second year for the next five years. The exemption for zero emission vehicles will end in 2025, new zero emission cars registered on or after 1 April 2025 will be liable to pay the expensive car supplement where eligible.



FIRST YEAR RATE TABLE 2023/24

WLTP CO ₂ emissions (g/km)	Payment
0	£0
1-50	£10
51-75	£30
76-90	£130
91-100	£165
101-110	£185
111-130	£210
131-150	£255
151-170	£645
171-190	£1,040
191-225	£1,565
226-255	£2,220
Over 255	£2,605

STANDARD RATE TABLE 2023/24

Fuel type	Payment
Petrol or diesel	£180
Electric	£0
Alternative	£170

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 CO₂ emissions figure. If it is a hybrid you will also need to know its range in zero emissions mode.

Look up your car's CO₂ emissions figure and find the corresponding BiK percentage. If your hybrid vehicle has a CO₂ emissions figure of no more than 50g/km use the zero-emissions range figure to calculate the 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.

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.

Cars						
CO ₂ (g/km)	Electric range miles	2023-24 (%)	2024-25 (%)	2025-26 (%)	2026-27 (%)	2027-28 (%)
0	N/A	2	2	3	4	5
1-50	>130	2	2	3	4	5
1-50	70-129	5	5	6	7	8
1-50	40-69	8	8	9	10	11
1-50	30-39	12	12	13	14	15
1-50	<30	14	14	15	16	17
51-54		15	15	16	17	18
55-59		16	16	17	18	19
60-64		17	17	18	19	20
65-69		18	18	19	20	21
70-74		19	19	20	21	21
75-79		20	20	21	21	21
80-84		21	21	22	22	22
85-89		22	22	23	23	23
90-94		23	23	24	24	24
95-99		24	24	25	25	25
100-104		25	25	26	26	26
105-109		26	26	27	27	27
110-114		27	27	28	28	28
115-119		28	28	29	29	29
120-124		29	29	30	30	30
125-129		30	30	31	31	31
130-134		31	31	32	32	32
135-139		32	32	33	33	33
140-144		33	33	34	34	34
145-149		34	34	35	35	35
150-154		35	35	36	36	36
155-159		36	36	37	37	37
160+		37	37	37	37	37

EXAMPLE: HOW TO CALCULATE THE COMPANY CAR TAX YOU PAY.

CUPRA Born 100% Electric

A CUPRA Born V1 58kWh registered after 6 April 2023 has a P11D value* of £36,420 and CO₂ emissions of 0g/km. CO₂ emissions of 0g/km corresponds to 2% in the table so the taxable value is £36,420x2%=£728.40 rounding down to nearest pound is £728.

For a 20% tax payer, tax is £728 x 20% = £145.60 (£12.13/mth).

For a 40% tax payer, tax is £728 x 40% = £291.20 (£24.27/mth).

CUPRA Formentor e-HYBRID

A CUPRA Formentor VZ1 e-Hybrid DSG-auto 245 registered after 6 April 2023 has a P11D value* of £41,765, CO₂ emissions of 33g/km and a zero emissions range of 34 miles. CO₂ emissions of 33g/km and a zero emissions range of 34 correspond to 12% in the table so the taxable value is £41,765x12%=£5,011.80 rounding down to nearest pound is £5,011.

For a 20% tax payer, tax is £5,011 x 20% = £1,002.20 (£83.52/mth).

For a 40% tax payer, tax is £5,011 x 40% = £2,004.40 (£167.03/mth).



*Correct at time of publication.

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 CO₂. 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 CO₂ emissions of 0g/km. For new company cars with CO₂ emissions of 1-50g/km, the annual allowance is 18% a year, while for cars with CO₂ 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 CO₂ emissions of 50g/km or less are eligible for 100% of their lease payments to be offset against tax, while for those with CO₂ 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 CUPRA Formentor V2 TSI DSG-auto 150 with a P11D value* of £34,315, has CO₂ emissions of 155g/km. This corresponds to 36% Benefit-in-Kind rate which gives a taxable benefit of £34,315 x 36% = £12,353. When multiplied by 13.8%, the annual Class 1A NIC due on the car is £1,704.71. For annual Class 1A NIC on fuel, figures for the car's tax percentage and the Government fuel benefit charge (FBC) - £27,800 in 2023/24 - are used. Multiply the FBC by the tax percentage and then by 13.8% to calculate the annual NIC due. For the Formentor example above, that works out at £27,800 x 36% x 13.8% = £1,381.10.

*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) – £27,800 in 2023/24 tax year. You'll also need your car's combined fuel consumption figure and BiK tax percentage – see example, right. CO₂ and fuel consumption data for all CUPRA models is available at www.cupraofficial.co.uk or the Vehicle Certification Agency at 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 2023/24

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.

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

ADVISORY FUEL RATES (AFR)

Advisory fuel rates are used to either reimburse employees for business miles or to repay them for private miles when using a company car. If you reimburse employees at these rates there is no need to pay Class 1A National Insurance and the employee is not seen to have a taxable profit. It simplifies things for both employer and employee.

If you provide a more efficient vehicle such as an e-HYBRID then you might choose to pay a lower rate. If you decide to pay a higher rate then you will need to demonstrate that the true cost is higher than advisory rate.

The rates are based on the fuel type and the engine size other than electric which has one set value.

HMRC reviews the rates quarterly 1 March, 1 June, September, 1 December.

Advisory Fuel Rates in table updated as of 1 June 2023.

Petrol	
Engine size	Advisory fuel rate
Up to 1400	13p
1401 to 2000	15p
Over 2000	23p
Diesel	
Engine size	Advisory fuel rate
Up to 1600	12p
1601 to 2000	14p
Over 2000	18p
LPG	
Engine size	Advisory fuel rate
Up to 1400	10p
1401 to 2000	12p
Over 2000	18p
Electric	
Engine size	Advisory fuel rate
Electric	9p

*Hybrids are treated as petrol or diesel.

EXAMPLE: CALCULATING FUEL ALLOWANCE AS PART OF EMPLOYERS' CLASS 1A NIC

A new CUPRA Formentor V2 TSI DSG-auto 150 has combined fuel consumption of 40.9mpg and CO₂ emissions of 155g/km. If my employer pays for my fuel for private use, how much tax will I pay on it?

The CO₂ emissions figure of 155g/km for this model gives it a BiK tax percentage of 36%. Multiplying this by the Government fuel benefit charge of £27,800 gives a taxable value of £10,008. Multiplying again by your marginal tax rate (20% or 40%) gives annual tax payable of £2,001 for a 20% taxpayer, or £4,003 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 petrol of £6.64/gallon (£1.46 litre), £2,001 will buy around 301 gallons for a 20% taxpayer. For a 40% taxpayer £4,003 will buy 603 gallons. Multiplying the Formentor's 40.9mpg combined fuel consumption by 301 gallons gives 12,310 – the private mileage you will need to cover to make the 'free' fuel benefit worthwhile. For a 40% taxpayer the figure is 24,662 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)

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.



THE FUTURE OF CUPRA

As the appetite for electrification continues to increase, we're with you all the way. With the **CUPRA Tavascan**, our second 100% electric model anticipated in 2024, you can look forward to more electrifying aerodynamism and more sporting DNA, all blended with the practical functionality of an SUV.



You also won't want to miss the **CUPRA Raval** anticipated in 2025; your urban companion, driven by emotion, designed for business.



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 www.linkedin.com/company/cupra-uk-for-business/

TERMS AND CONDITIONS.

The explanations and data set out in this guide are for general information only, and though given in good faith, are made without any warranty as to their accuracy and do not take into account changes after the date of publication, July 2023. Please refer to your legal or tax adviser for individual professional advice. Images are for illustration purposes only and may not be to the exact specification described. All information correct at date of publication, July 2023. All prices shown are applicable to vehicles in standard trim, are correct at date of publication and include VAT at 20%. All models listed are equipped with standard-fit transmission unless otherwise stated. All CUPRA diesel engines are fitted with a Diesel Particulate Filter (DPF) as standard. The Recommended 'On The Road' price includes delivery charge to Retailer and number plates, one year's Road Fund Licence at the 1st year rate (£0 – £2,605 depending on the CO₂ output of the vehicle), and the new vehicle registration fee (£55). VAT is calculated at 20.0%. CUPRA may change RRP's at any time (this includes where there are government changes in regulation and/ or legislation). There may be a delay to any RRP displaying correctly on our materials. Always obtain prices from your chosen CUPRA Retailer. Plug-in vehicles require mains electricity for charging. Figures for hybrid vehicles were obtained using a combination of battery power and fuel. Figures shown are for comparability purposes; only compare fuel consumption and CO₂ 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. Data correct at July 2023. CO₂ 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.