

Going electric – the advantages of investing in zero-emission vehicles

The government has committed to ending the sale of new petrol and diesel cars by 2030. Further steps are being taken to increase the availability of electric charging points and to incorporate smart technology into home-owners' charging points. With two aims, to minimise stress on the National Grid and make greater use of renewable energy sources.

Battery development is moving forwards with the result that certain market leaders are promoting cars with a range exceeding 350 miles. On this basis, many electric car users could manage on home-based charging points.



Government grants

The government will provide grants of up to £1,500 for electric cars priced under £32,000. Support for wheelchair accessible vehicles is being prioritised, with these users eligible for the £2,500 grant and a higher £35,000 price cap. Grant rates for the Plug in Van Grant are now £5,000 for large vans and £2,500 for small vans, with a limit of 1,000 per customer per year. Motorcycle and moped grants will see the government providing £500 off the cost of a motorcycle, and £150 for mopeds, with a price cap on vehicles of £10,000.

You can also claim £350 towards the cost of installing a home charging point.

Tax breaks for business users

Business owners, who opt for electric vehicle(s), can expect to recover more of their investment in direct tax relief.

For example, since April 2020, businesses can write-off 100% of the cost of an electric vehicle against the profits of the year of purchase and there are no restrictions on the value of the vehicle. The car must be new and unused to qualify for the 100% relief. Companies can also benefit from the new super-deduction, which offers 130% first-year allowance on qualifying electric charging points for cars and vans. To qualify for the relief the company must use the charging point in their own business. This relief will be available until 31 March 2023.

Electricity is not a fuel

If your employer pays for your private petrol or diesel, you will be taxed on the value of the private fuel provided as a benefit-in-kind – the Car Fuel Benefit. As electricity is not presently considered to be a fuel, no equivalent tax charge would arise if your employer allowed you to recharge your vehicle on company premises. Also, electricity can be supplied for domestic use at a reduced VAT rate of 5%, whilst petrol carries a 20% VAT charge at the pump. Employers can now reimburse car drivers who recharge vehicles off-site for an agreed tax-free rate of 5p per mile.

Benefits-in-kind – company car drivers

Car benefit charges are based on CO2 emission levels. They are added to your income as a taxable perk.

Most are calculated as a fixed percentage rate applied to the cost of the vehicle when new.

For 2022-23, cars will attract a 2% benefit charge when the emissions are zero grams of CO2 per km (0g/km).

Compare this with the benefit charge for a gas-guzzler pumping out 160 g/km which would be based on 37% of the list price when new.

If the outlay was £40,000 for both vehicles, the 2022-23 benefit charge for the zero-emission car would be £800, but the petrol driven version would attract a benefit charge of £14,800.

This dramatic difference in benefit charges will not only be an advantage for company car drivers, employers may also see a dramatic decrease in Class 1A National Insurance charges as these are based on the total value of benefits provided in a tax year.





Vehicle Excise Duty

The road tax, or Vehicle Excise Duty (VED) rates for all solely electric vehicles have been reduced to £0 until at least 2025. There are reduced VED rates for plug-in hybrid electric vehicles (PHEVs).

Vans

There is no benefit-in-kind charge for the private use of a company van if the private mileage is insignificant.

If the van is an electric vehicle, there is no benefit-in-kind charge even if the private mileage is significant.

Charging points

Employers can claim a full write-off for the costs of providing charging points to employees.

Where employees own or lease an electric car, they could claim a grant under the Electric Vehicle Homecharge Scheme. This grant covers 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.

Servicing

It has also been speculated that as electric vehicles have fewer moving parts, no exhaust or engine oils, service costs would be lower than petrol or diesel engine vehicles. Some electric car service plans start as low as £100 per annum.

Buyers will need to consider the working life of batteries and their replacement costs. It is too soon to speculate on resale values...

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