

# TAX ADVANTAGES ON ELECTRIC VEHICLES FOR BUSINESSES



## INTRODUCTION

In recent years, there has been a global shift towards sustainable transportation, with electric vehicles emerging as a viable and eco-friendly alternative to traditional petrol and diesel powered cars. Recognising the significance of this transition, HMRC has implemented various initiatives and measures to encourage the adoption of electric vehicles.

With electric cars, being the cars of the future, the UK Government has introduced several grants, tax reliefs and benefits to encourage tax payers both businesses and individuals, to buy and use them.

This fact sheet will provide you with all the information you will need to know about the tax benefits of purchasing an electric car.



## CAPITAL ALLOWANCES

From April 2021, capital allowances can be claimed on petrol or diesel cars that are purchased by businesses with a c02g/km of under 50g/km at 18% annually, against taxable income on a reducing balance basis through the main capital allowances pool.

If you have a car with a higher CO2, i.e those over 50g/km then it falls into a different pool with a lower writing down allowance of 6%.

Fully electric cars that are brand new, (those with a c02g/km of 0g/km can benefit from first year allowances of 100%, allowing these vehicles to be offset in the year of purchase, up until March 2025.

If your business decides to fit an electric charging point at the business premises for charging company cars, then this will also qualify from a first year allowance of 100%.

Description of car	What you can claim
New and unused, CO2 emissions are 0g/km (or car is electric)	100% first year allowances
Second hand electric car	Main rate allowances
New or second hand, CO2 emissions are 50g/km or less	Main rate allowances
New or second hand, CO2 emissions are 50g/km or less	Special rate allowances

\*Main rate allowance 18% of the cars value

\*Special rate 6% of the cars value



### EXAMPLE

If you were to buy an electric car for your business worth £25,000 and use it solely for the business, then you are able to claim the capital allowance of £25,000 on the self-assessment tax return, that covers the time of purchase.

If you have 40% of personal usage then you will need to reduce the amount that you claim through capital allowances by £10,000, so that you are claiming 60% of £25,000 which is £15,000. You are also able to claim any repairs and upkeep of the vehicle through the business, subject to the private use adjustment if you are not using it solely for business purposes.

### VAT WHEN PURCHASING AN ELECTRIC VEHICLE FOR BUSINESS

If you have any personal use of your electric vehicle, then you are unable to claim back any VAT on the cost of the car. Only if your car is 100% for business use then you are able to claim VAT on its purchase, and this rule is applied extremely restrictively and it is very rare for HMRC to agree to this. You will need to keep very detailed mileage covering every single mile travelled that prove your electric car is only ever used for business use.

### LEASING AN ELECTRIC VEHICLE

If you choose to lease your electric vehicles, no capital allowances will be available and the tax relief will be available on the monthly lease rentals. When it comes to VAT on a leased vehicle, you are only able to recover 100% of the VAT as long as it is being exclusively for business purposes with no personal use at all.

Where it is not possible to demonstrate 100% business use, as a simplification measure HMRC will accept a claim for the recovery of 50% of the VAT charged on each monthly lease payment made.

### GRANTS AVAILABLE

There are a number of grants available to encourage businesses.

The EV infrastructure grant for staff and fleets is for small to medium sized businesses in the UK with no more than 249 employees. The grant covers up to 75% of the cost of installing the infrastructure needed for charge points to operate and for future charge points to be installed. There is a limit of £15,000 per grant.

It is worth noting that your business can receive 5 grants up to a maximum of £15,000 each.

Each grant must:

- be for a different site that you own, lease or rent
- support a minimum of 5 parking spaces with at least one working charge point.

There is also a scheme currently available called the Workplace Charging Scheme (WCS), the focus on this scheme is for funding charge point installations and can't be used for costs associated with infrastructure. The WCS is open to businesses, charities and public sector organisations that meet applicant and site eligibility criteria set out on HMRC's website. The grant currently covers up to 75% of the total costs of the purchase and installation of EV charge points (inclusive of VAT).





## ELECTRIC CAR MILEAGE RATES

When providing an electric company car to an employee, the allowance per mile when compared with other fuel-types is significantly less. This is to reflect the cheaper running costs of fully electric vehicles, making any mileage claims submitted by employees for business journeys undertaken in an electric car, much lower than for the same journey undertaken in either a petrol, diesel or LPG car.

The AER for a company-provided electric car is currently set at a flat rate of 8p per mile, this means that if an employee has an electric car they can claim 8p per mile on a business trip in that vehicle.

## ATTRACTING TALENT

Millennials and Gen Z have been estimated to take up 75% of the global workforce by 2025. Millennials seek greater purpose and involvement in their company's corporate social responsibility (CSR) commitments than any workforce ever before.

Having EV chargers at work and providing electric vehicles as company car options, shows candidates that your company is taking climate-positive action seriously and could help you to stand out from the competition.

Introducing electric vehicles into your company car scheme can also help to retain your existing team members.

## IMPROVING ESG PERFORMANCE

Providing electric cars as company cars can be a powerful strategy for your business to meet your environmental, social, and governance (ESG) targets. By transitioning to electric company cars, your business can contribute to mitigating climate change and improving air quality, aligning with your environmental objectives.

The adoption of EVs also demonstrates a commitment to technological innovation and showcases your company's leadership in the sustainable transportation sector.

## GET IN TOUCH

If you would like to discuss whether electric vehicles are beneficial as company cars for your business, whether that is purchasing them through the business or leasing the cars, then please do not hesitate to get in contact with your local Moore (South) office.

## CONTACT US

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