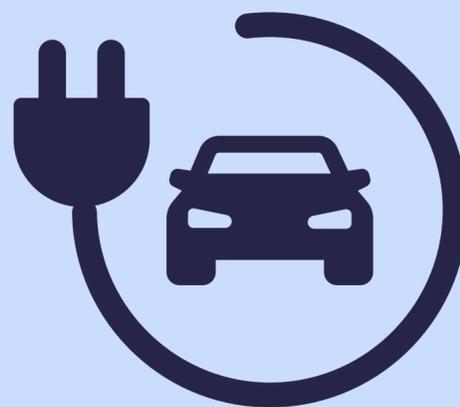


ELECTRIC VEHICLES & TAX

Save Tax, Drive Smart!

What You Need to Know About
Electric Vehicles and HMRC...



AT A GLANCE

- Why go electric?
- Benefit-in-Kind Rates
- Corporation Tax Relief
- Mileage Claims
- Charging Costs
- VAT on Electric Vehicles
- Leasing vs. Buying
- Grants and Incentives



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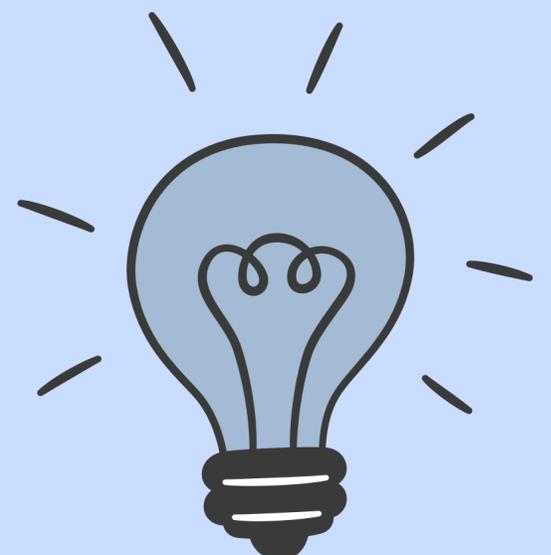


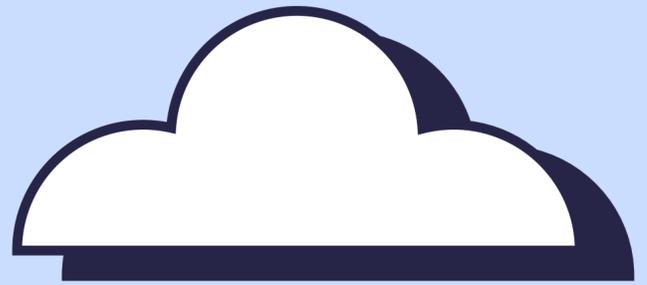
WHY GO ELECTRIC?

Switching to an electric vehicle (EV) isn't just about reducing your carbon footprint – it can also make a lot of financial sense, especially if you run a limited company.

EVs come with a range of tax incentives, including lower company car tax, potential corporation tax relief, and reduced fuel and maintenance costs. For directors and business owners, they can be a smart and efficient way to extract value from your company while keeping HMRC onside.

Let's explore some of the tax-saving opportunities along with the key pros and cons associated with EVs...





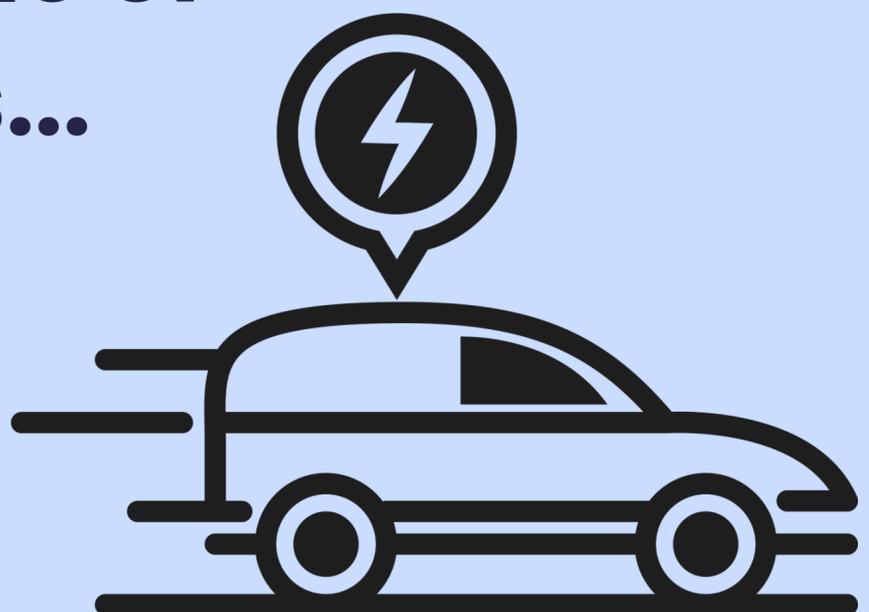
BUYING AN EV

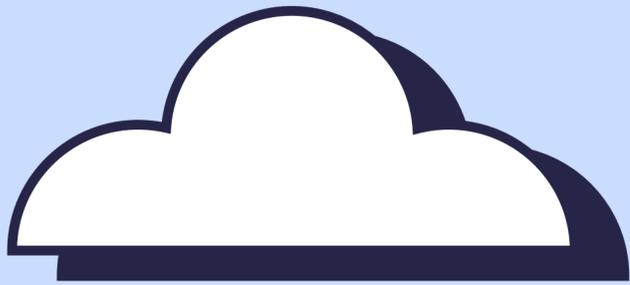
THROUGH YOUR LIMITED COMPANY

If you're a director or employee and you're thinking of getting an electric car, buying it through your limited company can be a very tax-efficient option – especially if you use the car for both business and personal journeys.

Unlike petrol or diesel cars, EVs attract generous tax treatment when provided as company cars, making them one of the most affordable ways to drive a new vehicle through your business.

Here are a couple of key tax benefits...





ULTRA-LOW BENEFIT-IN-KIND (BIK) TAX

When your company provides you with a car that's also used for personal trips, it's classed as a Benefit-in-Kind (BiK) – which means you'll pay some personal tax.

But EVs are treated very kindly here. The BiK rate for electric cars is:

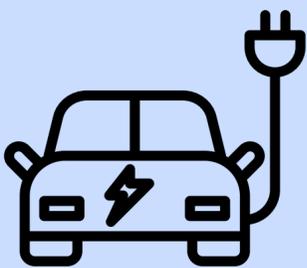
Tax Year		BiK Rate for Pure EVs
2025/26		3%
2026/27		4%
2027/28		5%



This is **much** lower than for petrol or diesel vehicles, which can easily attract BiK rates of 25% or more!



BIK EXAMPLE



Car list price = £40,000



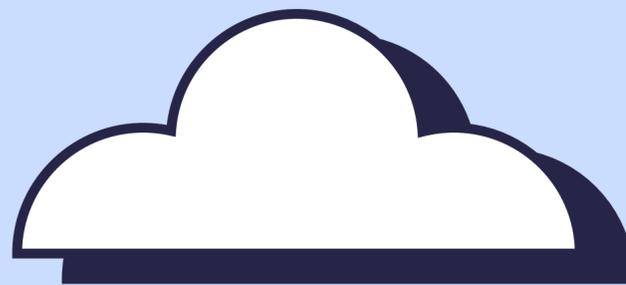
BiK Rate = 3% → Taxable benefit = £1,200



**If you're a 40% taxpayer: $£1,200 \times 40%$
= £480 personal tax per year**



Even including employer NICs, that's still far cheaper than running a petrol car of similar value through your company!



MILEAGE CLAIMS

WHAT CAN YOU CLAIM FOR EVS?

If you use an EV for business journeys, you may be able to claim mileage costs – but how much you can claim (and how) depends on who owns the car: you personally, or the company.

1 YOU OWN THE EV PERSONALLY (NOT A COMPANY CAR)

If the car is personally owned (not on the company books), you can claim HMRC's Approved Mileage Allowance when using it for business travel.

These are the same rates used for petrol/diesel cars:

- **45p per mile** for the first 10,000 business miles in a tax year
- **25p per mile** thereafter



This rate is designed to cover all running costs: electricity/fuel, wear and tear, servicing, tax, insurance, etc.



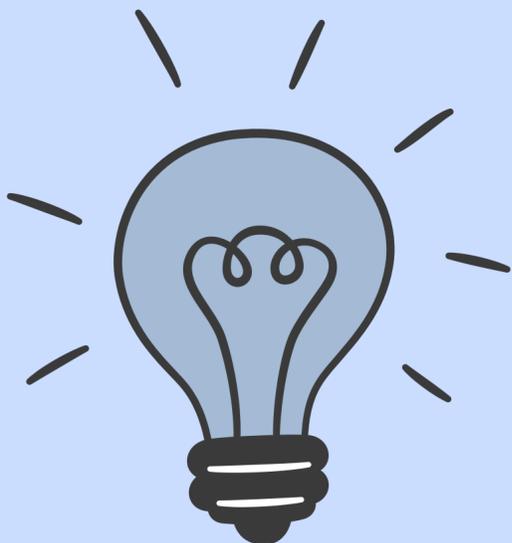
EXAMPLE



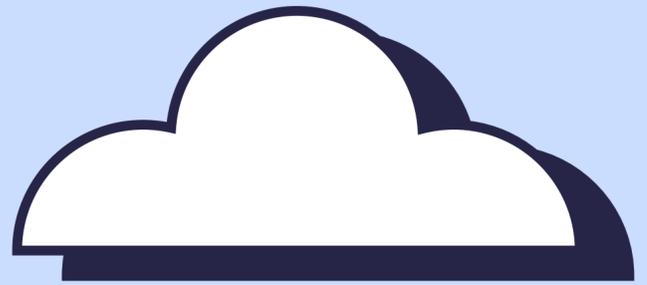
You drive 8,000 miles in the year for business purposes.



$8,000 \times 45p = \text{£}3,600$ claimable from the company (tax-free)



This method is simple, avoids benefit-in-kind issues, and is often the most tax-efficient route if you use the car mainly for personal use but do some business driving.



MILEAGE CLAIMS¹

WHAT CAN YOU CLAIM FOR EVS?²

2 THE EV IS A COMPANY CAR

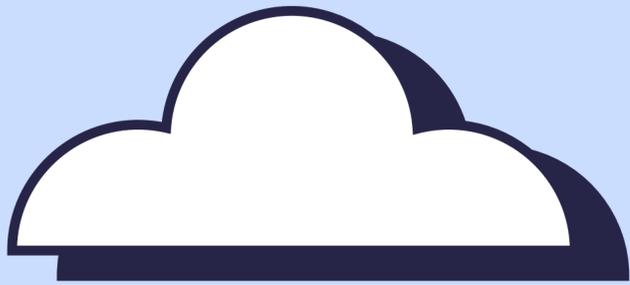
If the electric vehicle is owned or leased by your company, then business mileage is treated differently.

You can't use the 45p/25p mileage method. Instead, you claim based on electricity costs only, using the Advisory Electric Rate (AER) set by HMRC.

As of 1 June 2025, the AER is:

- **9p per mile**





EXAMPLE



Company-owned EV used for 2,000 business miles



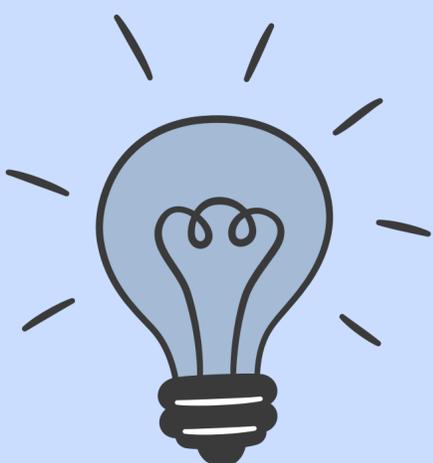
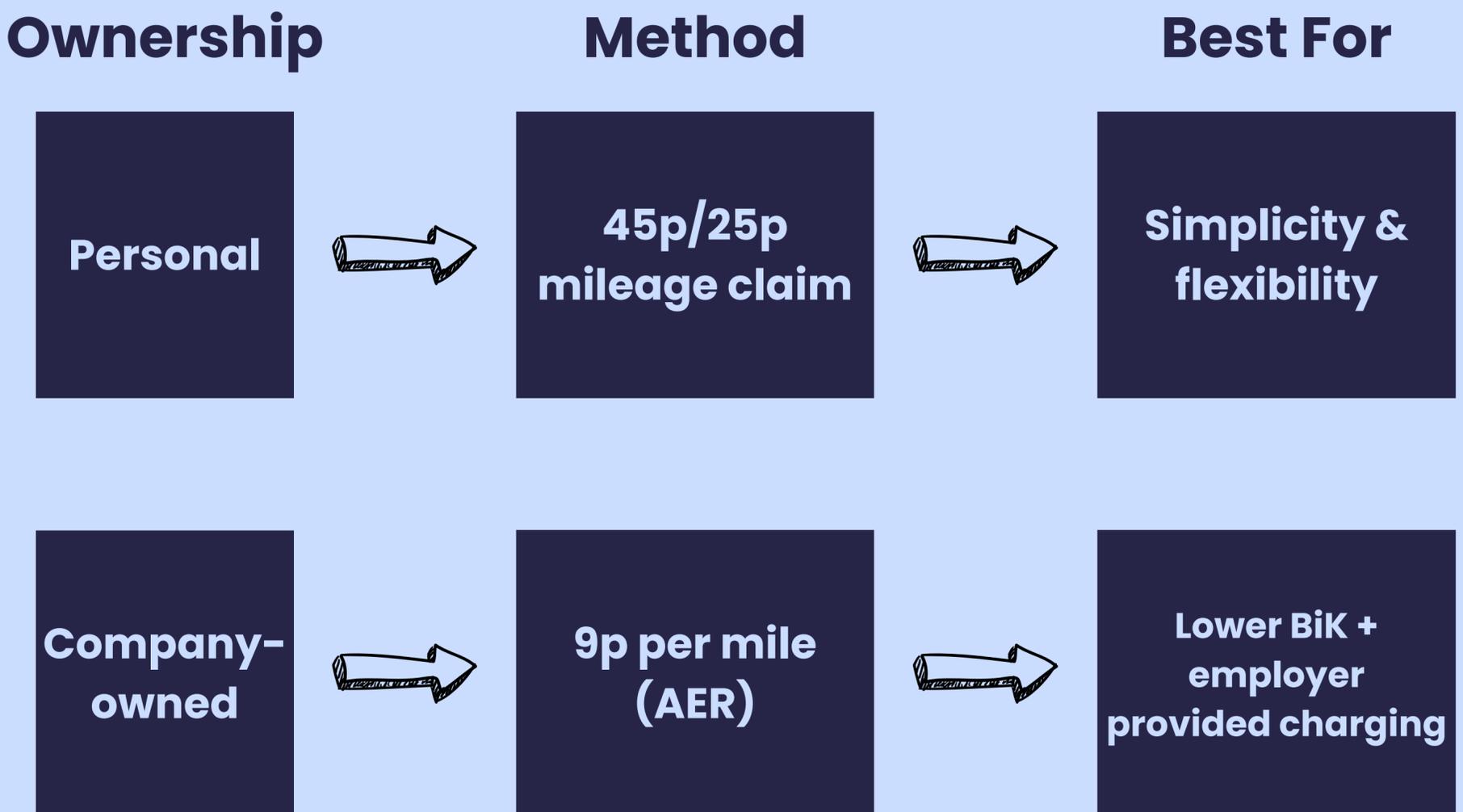
2,000 × 9p = £180 reimbursed to you tax-free



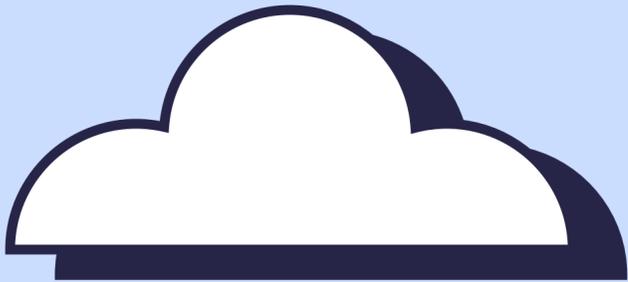
The AER is reviewed quarterly by HMRC and reflects average electricity costs – not full running costs. If your employer (or your own company) reimburses more than 9p per mile, the excess could be taxable unless you can justify it with evidence (e.g. actual charging costs).



WHICH METHOD IS BETTER?



Both approaches can be tax-efficient. The right choice depends on your overall tax position, how the vehicle is used, and whether you plan to take advantage of other incentives like first-year allowances or low BiK.



CHARGING COSTS

WHAT CAN YOU CLAIM?



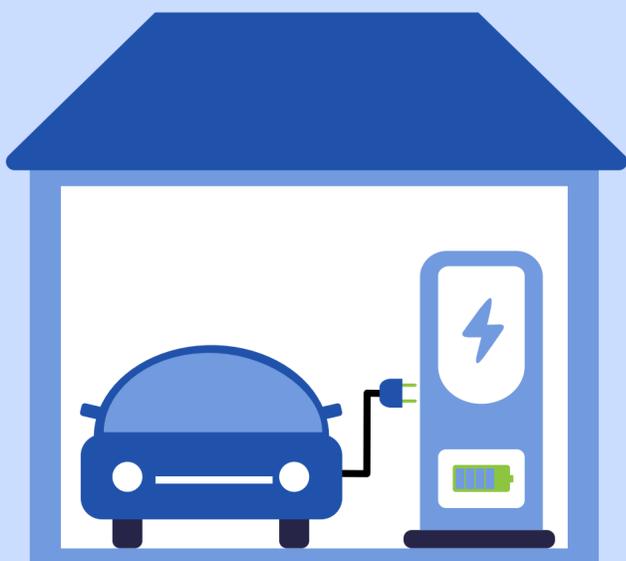
This is common if you're using a company EV or your own EV for work purposes and charge it overnight at home.

1 CHARGING AT HOME

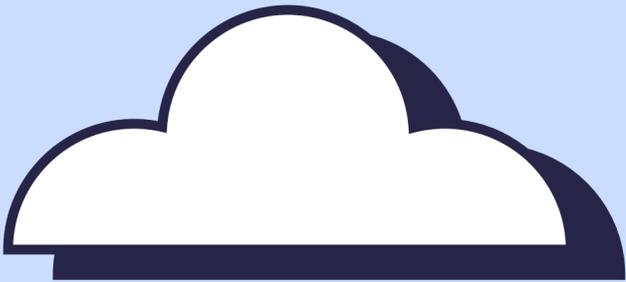
a) Company EV, Charged at Home

HMRC does not allow the company to reimburse your home electricity costs without creating a benefit-in-kind, unless:

- You can separately measure business-use electricity, or
- You charge using a dedicated company-paid charger and the benefit is available to all employees



In practice: It's very difficult to separate electricity used for charging from your overall home bill. This makes claiming home charging costs for a company car problematic unless a clear, business-only meter is in place.



WH

CHARGING COSTS

WHAT CAN YOU CLAIM?

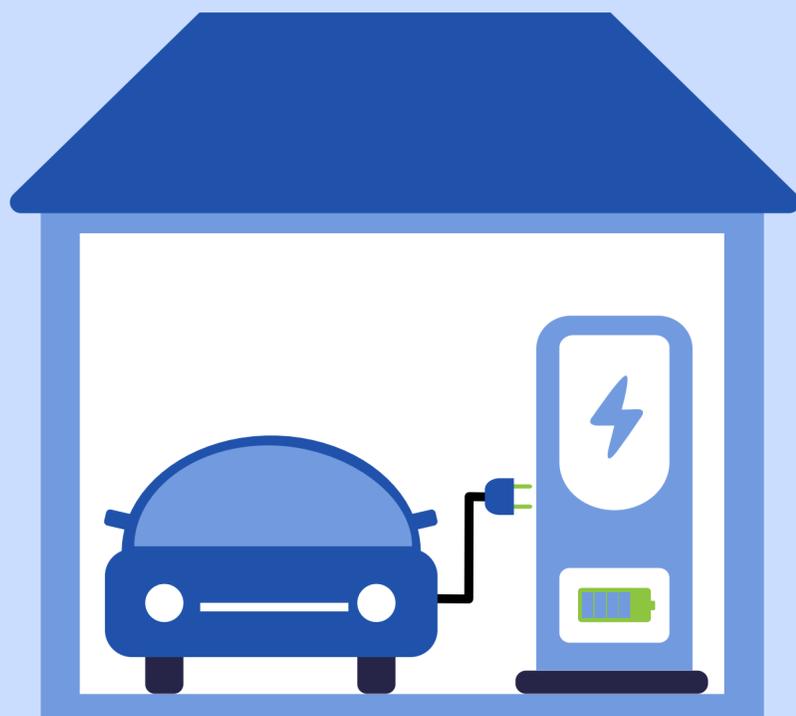


1 CHARGING AT HOME

b) Personally Owned EV, Charged at Home

If you use your personal EV for business trips, you can't directly claim electricity costs.

Instead, you claim 45p/25p per mile (see Mileage Claims section), which is designed to cover all running costs – including charging at home.





CHARGING COSTS

WHAT CAN YOU CLAIM?

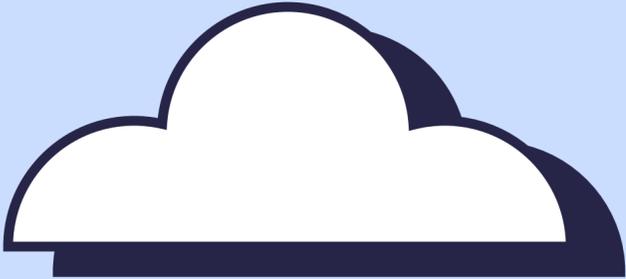
2 CHARGING AT WORK

If your company installs an EV charge point at the office or other business premises, and allows you (and possibly others) to charge your vehicle:

- No benefit-in-kind arises – even if the car is used personally
- The cost of the charger and electricity is tax-deductible to the company
- The electricity is treated like “fuel” for business purposes



This is a great way for companies to support EV use without creating extra tax liabilities.



WH

CHARGING COSTS

WHAT CAN YOU CLAIM?



3 PUBLIC CHARGING

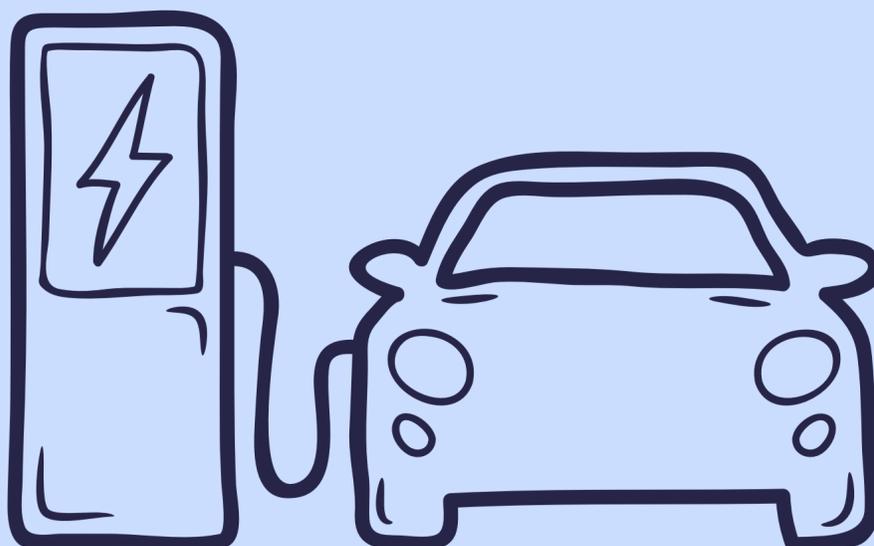
If you use public charging points while out on business, the company can reimburse or pay for those costs.

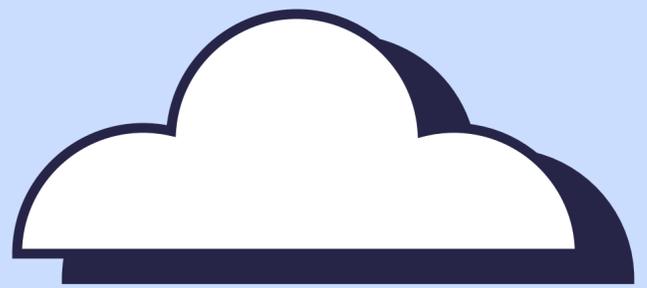
a) For company EVs:

- Charging costs are a business expense
- VAT can usually be reclaimed (if there's a VAT invoice)

b) For personal EVs used for business:

- You still can't claim direct charging costs
- Use the standard 45p/25p mileage allowance

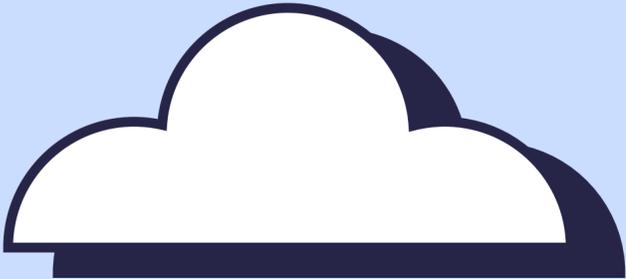




SUMMARY:

CHARGING & TAX

Charging Location	Car Ownership	Can you claim the cost?	Tax Impact
Home	Company Car	Difficult (needs separate meter)	Possible BiK if reimbursed without proper records
Home	Personal Car	No (use mileage allowance)	Covered by 45p/25p mileage claim
Workplace	Any	Yes	No BiK if available to all staff
Public Charging	Company car	Yes	VAT reclaimable if invoice is available
Public Charging	Personal car	No	Use mileage rates instead



WH

VAT & EVS

VAT rules for EVs largely mirror those for petrol and diesel vehicles – but with a few important points to remember.



VAT ON PURCHASING AN EV

- If the EV is used exclusively for business purposes (with no private use whatsoever), your company can reclaim 100% of the VAT.
- If there's any private use, HMRC rules say no VAT can be reclaimed on the purchase.

In practice



Very few company cars are 100% business use – even commuting counts as private use. The 100% VAT reclaim is therefore mainly relevant for commercial vehicles (e.g., vans) or pool cars.



WH

VAT & EVS



VAT ON LEASING AN EV



If the company leases the EV:

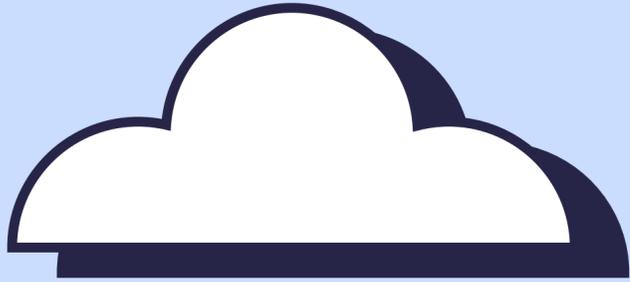
- You can usually reclaim 50% of the VAT on lease payments if there's any private use.
- If the car is used solely for business, 100% of the VAT can be reclaimed – but strict evidence is required.

VAT ON CHARGING COSTS

- **Public charging** – VAT is usually 20%, and can be reclaimed on business use if there's a valid VAT invoice.
- **Workplace charging** – VAT on installation and electricity can be reclaimed by the company, provided it's for business purposes.
- **Home charging** – No VAT reclaim unless you have a dedicated, separately metered business supply – which is rare for company cars.



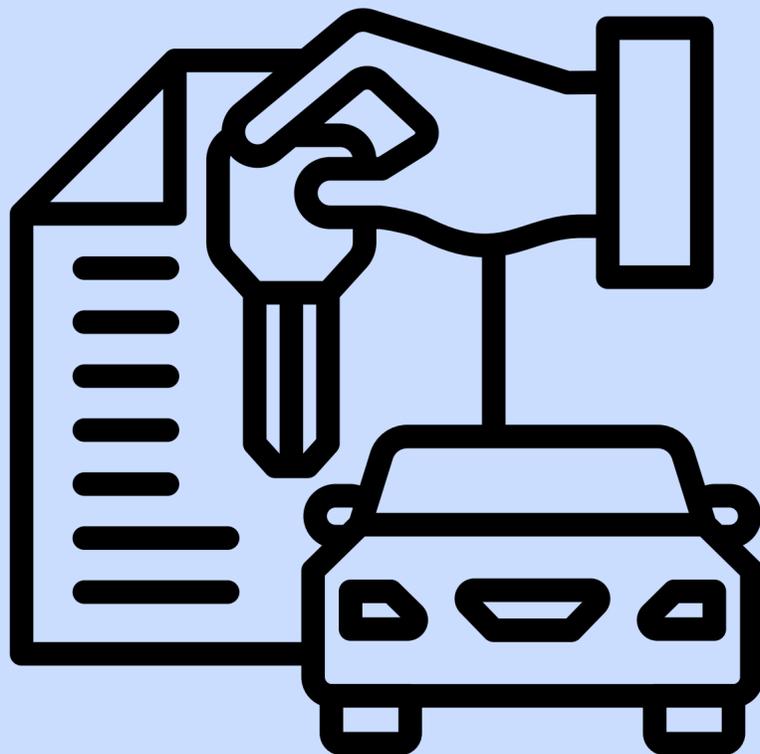
Even if VAT reclaim isn't possible, you can still claim the gross cost as a business expense where relevant.



LEASING VS. BUYING AN ELECTRIC VEHICLE

Whether you lease or buy an EV through your company can make a big difference to cash flow, tax relief, and VAT recovery.

The best choice depends on your business's finances, how long you want to keep the car, and how you plan to use it.





LEASING VS. BUYING

AN ELECTRIC VEHICLE

BUYING A NEW EV

Tax Relief:

- New, fully electric cars qualify for 100% First-Year Allowance – meaning your company can deduct the entire purchase price from profits in the year of purchase.



Ownership:

- The car is an asset on the company balance sheet. Once bought outright, there are no ongoing lease payments.

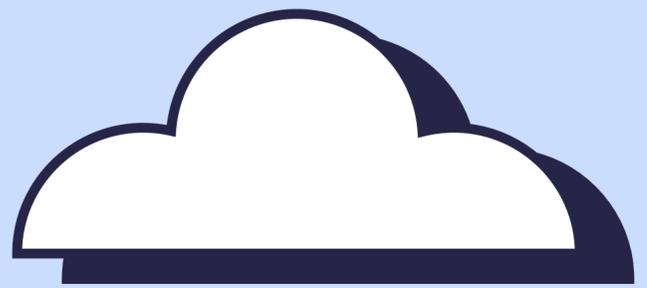
VAT:

- Only reclaimable in full if there's no private use whatsoever – otherwise, no VAT reclaim is allowed.



Best for

Businesses with strong cash flow looking to keep the car for several years and take advantage of upfront corporation tax relief.



LEASING VS. BUYING AN ELECTRIC VEHICLE

LEASING AN EV

Tax Relief:

- Lease payments are usually fully deductible as a business expense if the car is used for business purposes.



VAT:

- You can normally reclaim 50% of the VAT on lease payments if there's private use, or 100% if the car is solely for business.

Cash Flow:

- Leasing spreads the cost over time, often with lower upfront payments compared to buying.

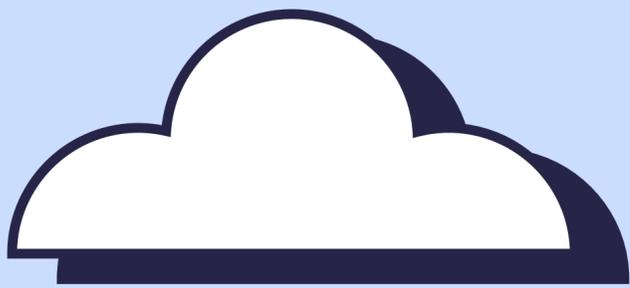
Flexibility:

- Easier to upgrade to a newer model at the end of the lease, keeping pace with improving EV technology.



Best for

Businesses that want predictable monthly costs, minimal upfront spend, and regular upgrades.



SUMMARY:

WHICH IS RIGHT FOR YOU?

Factor

Buying

Leasing

Upfront
Cost

High

Low to
moderate

Tax Relief

100% First-
Year
Allowance
(new EVs)

Deductible
monthly lease
payments

VAT
Recovery

0% (if private
use) or 100%
(no private
use)

50% (private
use) or 100%
(no private
use)

Asset
Ownership

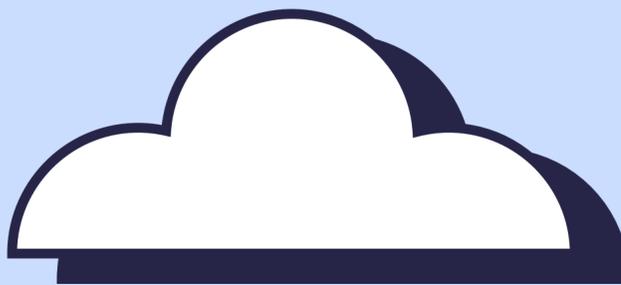
Yes

No

Flexibility

Keep as long
as you like

Swap/upgrade
at lease end



GRANTS & INCENTIVES

Government support for electric vehicles has changed in recent years. While some high-profile schemes have ended, there are still opportunities to reduce costs – especially for businesses investing in charging infrastructure.



Plug-in Car Grant – Ended for Cars

The Government's Plug-in Car Grant, which reduced the cost of new EVs, ended in June 2022 for passenger cars.

However, similar grants are still available for certain vans, trucks, and other specialist vehicles.



GRANTS & INCENTIVES

Workplace Charging Scheme (WCS)

- Offers up to 75% off the cost of purchase and installation of EV charge points, capped at £350 per socket (up to 40 sockets per business).
- Open to businesses, charities, and public sector organisations.
- Must use an approved installer and apply before installation begins.



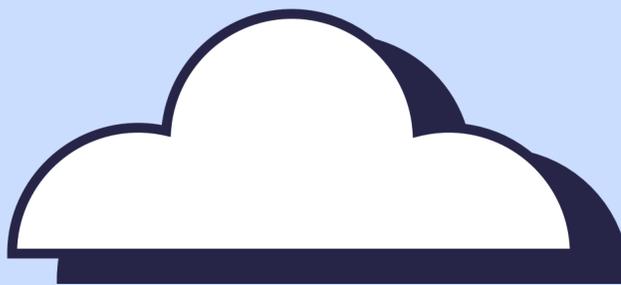
Plug-in Van Grant

Still available for qualifying new vans and trucks that meet specific emissions criteria.

- Up to £2,500 off small vans (less than 2.5 tonnes gross weight)
- Up to £5,000 off large vans (2.5–3.5 tonnes gross weight)



Grants are usually applied automatically by the dealer at the point of sale.



GRANTS & INCENTIVES

Other Local or Regional Incentives

Some local councils offer:

- Free or discounted parking for EVs
- Reduced road tolls or congestion charges
- Priority access to clean air zones



Availability varies by region – check your local authority's website.



Even without direct purchase grants for cars, combining low Benefit-in-Kind rates, corporation tax relief, and charging installation support can still make EVs a very cost-effective choice for your business.