

BENEFITS OF ELECTRIC COMPANY CARS

Guide



WHY ELECTRIC COMPANY CARS?

Benefit-in-Kind (BIK) rates have increased over the past decade, particularly for internal combustion engine (ICE) vehicles. While all company car drivers will feel these increases, anyone on the higher income tax rate of 40% rather than the standard rate of 20% will likely feel it more. This has meant that some fleets are moving away from company cars and into cash allowances.

However, battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) may change this shift in funding. That's because, to encourage the uptake of these low-emission vehicles, the Government recently introduced new, lower rates of Benefit in Kind (BIK), meaning that BEVs have a tax rate of 0% in 2020/21.

CO ₂ emissions (g/km)	Electric range (Miles)	% BIK 2021/22	% BIK 2021/23	% BIK 2021/24
0	N/A	1	2	2
1-50	>130	1	2	2
1-50	70-129	4	5	5
1-50	40-69	7	8	8
1-50	30-39	11	12	12
1-50	<30	13	14	14
51-54	N/A	14	15	15

These lower BIK rates mean a company car scheme could work for your fleet, especially if you want to lease either a BEV or a PHEV. Electric vehicles (EVs) taken as company cars aren't just viable forms of transport – they could be cheaper than the cash allowance alternative. But lower BIK rates aren't the only reason you may reconsider a company car scheme. Company cars have their own benefits, summarised in the table below.

✓ Advantages of a company car	✗ Disadvantages of a company car
No depreciation costs	Limited choice
No unexpected costs	You will never own the vehicle
Insurance, servicing, MOTs covered	Potential end of contract damage costs
No reselling administration	Need to calculate and stick to mileage
No advance deposit/rental	ICE vehicles still have BIK tax
No credit check	Charge point required if choosing a BEV/PHEV
BEV/PHEV low BIK	

Of course, which option is best for you depends on your own circumstances. The benefits of a company car, combined with the advantages of electric motoring, mean that this particular option deserves, at the very least, due consideration.

What are the benefits of electric motoring?

We have already mentioned one of them – BEVs and PHEVs face lower BIK rates, but why is this?

Because BEVs are only powered by batteries, they have zero tailpipe emissions. This means that they're not producing nitrogen oxide, carbon monoxide or lead particulates. Even though BEV production emits some emissions, they are still ahead of ICE vehicles – it's thought that they effectively pay off their 'carbon debt', by reducing on-road emissions, after just over a year of use.*

This means BEVs are an important instrument in the Government's fight against climate change.

Last year, the Prime Minister, Boris Johnson, brought forward the end of the sale of new petrol and diesel cars and LCVs from 2040 to 2030. In other words, in nine years' time, you may not be able to acquire a new ICE company car. That's fewer than three vehicle renewal cycles until a momentous change in the history of motoring.

What's more, the Government is introducing further legislation to help encourage EV ownership before 2030. For example, Vehicle Excise Duty (VED) is based on emissions, so low-emission cars have less VED. There's also an increase in Clean Air Zones (CAZs) or similar alternatives in UK cities. These CAZs will impose fees and other penalties on older, fossil-fuelled vehicles.

In fact, in the case of BEVs and PHEVs, we advise an even sharper focus on the total cost of running a vehicle. If buying these vehicles, they may have a higher retail price than their fossil-fuelled counterparts. However, they could save you money across their life. Even the 'fuel' is cheaper. It currently costs, on average, about £6.50 to fully charge your vehicle at home. So, with a conservative real-world range of around 160 miles for certain EV models, you're looking at less than 4p per mile in energy cost, compared with 9p a mile for a petrol vehicle according to EDF Energy.*²

* Source: Transport & Environment's analysis of electric car lifecycle CO₂ emissions, How clean are electric cars?, April 2020, p15

*² All energy costs shown are for illustrative purposes only and are based on average industry data available at the time of publication. These figures should not be used in any business decisions.

There are also grants available for installing charge points at home and at work. For example, the Electric Vehicle Homecharge Scheme*³ offsets 75% of the cost of installing a charge point at home, up to a maximum of £350.

Many drivers used to have concerns about EVs, mainly surrounding 'range anxiety' – will this vehicle go far enough on a single charge? Now, with the increased number of charge points around the UK, those concerns are becoming a thing of the past. In most instances, it is relatively easy to install a charge point at home or at work, so that you can conveniently charge your vehicle when it is not in use. There are also thousands of public charge points available on the road network – around 40,000 at the last count – an increase of 500% over the past five years. Plus, over a tenth of them are now 'rapid' or 'ultra-rapid' chargers, which means that in most cases you can charge up to 80% of your battery in around 30 minutes or the time it takes to have a coffee!

In addition, the battery technology inside BEV and PHEVs is improving, meaning they can go further before having to be charged again. A real-world range of 150 to 200 miles is now pretty standard for a BEV, with some new models

of electric vehicle reaching or even exceeding 300 miles. The standard Nissan Leaf, for example, has a stated range – depending on driving conditions and other aspects – of 168 miles.

The number and variety of different models offered by vehicle manufacturers has grown tremendously over the past few years, and it's now possible to choose between urban run-arounds, SUVs and even LCVs. The early movers in the EV arena - Tesla, Polestar and Nissan joined by other vehicle manufacturers, and more will join in the forthcoming year. It's expected that over 30 new models of all-electric vehicle will be launched, including ones from BMW, Hyundai, Audi, Skoda and Ford.

If you haven't yet started planning your fleet's transition to EVs, then now is the time to start.

Get in touch and our fleet experts can help you start your journey.

^{*3} Electric Vehicle Homecharge Scheme is likely to come to an end in 2022

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