



Ultra-Low Emission Vehicles (ULEV)

Back in April 2020, HMRC introduced low benefit in kind rates for electric and hybrid vehicles, which significantly reduced the tax charges applicable to them.

The benefit in kind charge on any vehicle is calculated by multiplying the car's manufacturer list price by a percentage based on its CO2 emissions rating/electrical range. The benefit figure each year is then added to an individual's employment income and suffers tax at the applicable marginal rate.

For 100% electric vehicles this is currently taxable at 3% (increasing to 4% in April 2026) with hybrid vehicles with CO2 below 50g/km ranging between 3% - 15% depending on electric range.

As a result, the tax savings for higher & additional rate taxpayers can be significant due to the relatively small benefit values applicable.

In addition, there are other tax incentives on such vehicles, including:

- 100% first year allowance (FYA) for new and unused zero emission vehicles compared with writing down allowances applied to other company cars
- Electricity is not classed as a road fuel from HMRC's perspective, so no fuel benefit charge can apply even if private mileage is paid for by the employer
- No benefit in kind is applicable on the company funded installation of charging points both at the workplace and at employee's homes
- ULEVs are exempt from the optional remuneration arrangements rules, same as for pensions, which means that employees can finance them via their employer through salary exchange arrangements. This creates further tax/NIC savings and potentially extends the opportunity to acquire company cars to more of your workforce who ordinarily wouldn't receive a car as part of their remuneration package



Below is a comparison between three different vehicles, of similar list prices, but with differing CO2 emission ratings, to show the tax and NIC savings that can be gained annually by switching to a lower emission company car.

Please note the below are illustrative examples based on 2025/26 tax year rates

	Audi Q5 Quattro Black Edition	Audi Q5 Quattro Sport e-Hybrid	Audi Q6 Sportback E-tron Sport
List Price (£)	59,710	58,340	63,015
Fuel Type	Diesel	Hybrid	Electric
CO2 Emissions (g/km)	168	35	0
Benefit in Kind (BIK) %	37	9	4
BIK Cash Equivalent	22,093	5,251	2,521
BIK Income Tax at 40% (Ees)	8,837	2,100	1,008
Class 1A NIC at 15% (Ers)	3,314	788	378

When you extend these amounts over a fairly typical 3-4 year lease, the cost difference between the options can become significant, and so moving to such a vehicle should certainly be a consideration.

If you have any questions, please contact a member of our [Employment Taxes](#) team, who would be happy to have an initial discussion with you



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