Electric cars and employment taxes

Employment Tax

01 April 2018

Although we will not have the legislation by then, we know that, from 6 April 2018, there will no longer be a benefit in kind if an employer pays to charge an employee's electric car. This adds to the existing quirks in the employment tax treatment of electric cars.

Recent years have seen a remarkable increase in the popularity of electric cars. As at December 2017 more than 132,000 'plug-in' cars (that is, cars with a battery which can be recharged by connecting to an external electricity source) had been registered in the UK, up from just 3,500 in 2013.

To further encourage the take-up of low and zero emissions vehicles (including electric cars) a range of special tax measures have been introduced. The most recent of these was the announcement at the Autumn Budget 2017 that, from 6 April 2018, there will be no benefit in kind charge on electricity that employers provide to charge personally owned electric vehicles.

The intention is for this new exemption to be included in the next Finance Bill, which will be announced and published in the autumn of 2018. The delay in legislating for this exemption puts employers and employees in an uncertain position, as the exemption will have come into force before any details of possible exclusions or exceptions are available.

This uncertainty comes on top of the already complex employment tax rules for electric cars, which were the subject of a recent technical article on the ATT website. This article can be found at https://tinyurl.com/y8yc6q6s. Areas of complexity include:

- No benefit in kind arises if an employer pays to charge a pure-electric company car (that is a company car with an electric propulsion system only and no petrol or diesel engine), regardless of the level of private mileage.

- By contrast, up to 5 April 2018, a benefit in kind may arise if an employer provides electricity to charge an employee's personally owned car (for example if they are allowed to charge their car at work).
- Advisory Fuel Rates (AFRs) cannot be used to reimburse employees for the cost of electricity paid for personally but used for business travel in a pure electric company car.
- Hybrid company cars (that is company cars with both a petrol / diesel engine and electric propulsion system) are subject to the normal fuel benefit rules, and diesel / petrol AFRs can be used.
- If an employee uses their own electric car (whether pure electric or hybrid) for business purposes, Approved Mileage Allowance Payments (AMAPs) do apply in the same way as for petrol or diesel cars.

Further information on these, and other, employment tax implications of electric cars as well as the capital allowances available to businesses are included in the ATT technical article.