Reform to workplace charging tax exemptions

Employment Tax

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HMRC has recently published for consultation draft guidance on workplace charging tax exemptions for electric and plug-in hybrid vehicles.

HMRC has published, for consultation, a draft update to the Employment Income Manual (EIM) for the workplace charging tax exemption for electric and plug-in hybrid vehicles announced at Autumn Budget 2017. The draft guidance can be found on GOV.UK.

At Autumn Budget 2017 the government announced that it will legislate to exempt employer-provided electricity from being taxed as a benefit-in-kind.

The exemption will apply to electricity provided in workplace charging points for electric or hybrid cars owned by employees. The relevant legislative changes to the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 will be made in Finance Bill 2018-19 and will have retrospective effect from 6 April 2018.

Under current rules employers can reimburse employees for business mileage in employee owned electric or plug-in hybrid vehicles at the Authorised Mileage Allowance Payments (AMAPs) rates of 45p and 25p per mile.

However, for periods prior to 6 April 2018, where an employee recharges his or her car at work there is a taxable benefit-in-kind based on the cost of the electricity to the employer.

In comparison, drivers of all-electric company cars are not taxed on the ‘benefit’ of recharging at the workplace, as electricity is not a ‘fuel’.

This mis-match and the difficulty in calculating the taxable benefit in those cases where a benefit-in-kind arises it is sensible for the government to ‘mirror’ the

company car rules and provide an exemption for recharging privately owned cars at the workplace.

At 2 pages the draft guidance is short and to the point:

‘From 6 April 2018, where an individual is provided with workplace charging facilities for their own car or van, no taxable benefit arises in respect of costs relating to the provision of electricity at those facilities if the qualifying conditions are met.’

Those qualifying conditions are:

- Electricity must be provided through a dedicated charging point;
- The charging facilities must be provided at premises under the control of the employer; and
- Charging must be available to either all the employer’s employees generally or all the employer’s employees generally at a particular location.

The above conditions suggest that the use of, for example, an extension lead from a normal power socket to recharge a vehicle will not be exempt! It is unclear why the government would want to exclude employers that do not have the means to install a dedicated charging point.

Also, it is not clear whether the ‘all employee’ requirement will be met if there are insufficient dedicated charging points to meet demand!

The only exception to the exemption is where workplace charging facilities are provided in connection with an Optional Remuneration arrangement (OpRA).

One aspect of electric cars that remains an issue is reimbursement rates for business mileage in all-electric company cars. For example, where an employee recharges a company vehicle at home and uses the vehicle for business mileage, his/her employer cannot use company car Advisory Fuel Rates (AFRs) to reimburse the employee (AFRs can be used for hybrid vehicles).

If you have any comments on the draft guidance, or other aspects of the benefit-in-kind rules applying to electric vehicles please contact us.