



Understanding Benefit in Kind (Company Car Tax)

December 2022

Tusker.



What is Benefit in Kind (BiK)?

Benefit in Kind (BiK) is a tax on benefits or perks provided by your employer in addition to your salary, often referred to as company car tax. If you have a company car or salary sacrifice car then this is considered an employee benefit and so you will have to pay tax on the Benefit in Kind.

How is company car tax calculated?

All taxable benefits have to be valued so HMRC can determine the correct amount of tax to be charged. Some employee benefits will have a specific value but with a car, the tax is based on the 'use' of the car so is calculated differently to other benefits.

Cars with less than 75g/km

For Ultra Low Emission Vehicles (ULEVs), which are cars with CO₂ emissions less than 75g/km, you will pay tax on the Benefit in Kind value. This value is determined by the car's P11D value (list price, including extras and VAT, but without the first year registration fee and vehicle tax) and then multiplied by the BiK rate (see overleaf) which is based on the CO₂ emissions and fuel type. This figure is then multiplied by your tax rate (lower, higher or additional rate tax payer) to calculate the annual amount of company car tax to be paid. For cars that are pure electric, you will pay 2% Benefit in Kind from April 2022 which will remain at 2% until April 2025. The Government's announcement means that it will increase to 3% in 2025/26, to 4% in 2026/27, and 5% in 2027/28.

Cars with 75g/km of CO₂ and above

For cars with CO₂ emissions above 75g/km, the taxable benefit is calculated based on the higher value of either the gross salary sacrifice amount or the Benefit in Kind value explained above.

To encourage EV adoption, the Government have confirmed that post April 2025, Benefit in Kind rates will only rise 1% each year from 2025 until 2028.



Where can I see the Benefit in Kind value?

Our online quotation system will automatically calculate the correct BiK value of the car you've chosen based upon the CO2 emissions, additional options, fuel type, P11D value and applicable tax rate according to the salary you've entered in the system. It will also take into account whether or not the car is a ULEV.

We'll also display the 'Net Amount' (which is the impact on your take home salary) for the next three years as the tax rates charged by HMRC change in 2022.

You can visit the online system to view quotations, or if you have already had your car delivered, you can still view your car details under the 'My Account' menu once you've logged in to the system.

How do HMRC collect company car tax?

There are two main ways of paying company car tax and it's important you check with your employer as to which will apply as this will affect whether you need to contact HMRC to advise them about your car.

Deduction (tax) at source - this means it's deducted directly from your salary by your employer and you won't need to notify HMRC.

Via PAYE coding notice - HMRC will collect your company car tax by issuing you with an amended PAYE Coding Notice, which means that the tax generated by the Benefit in Kind will reduce your personal tax free allowance.

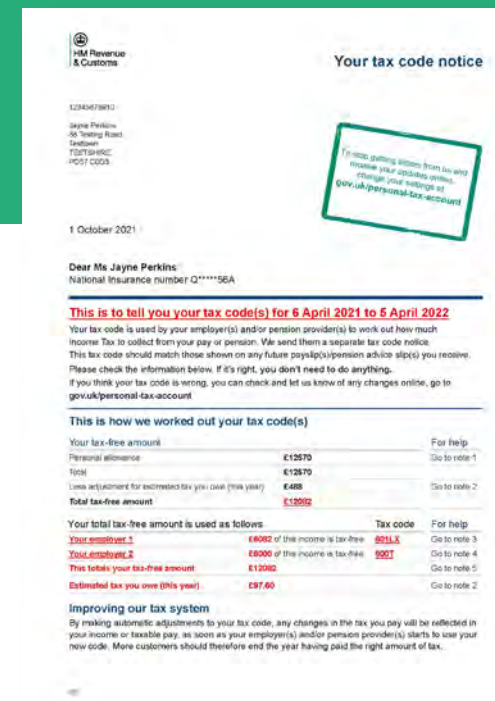
If your employer doesn't deduct at source then HMRC need to be notified that you

have this employee benefit. If the tax is not collected via your tax code for the year the benefit is received, it could mean an underpayment of tax which will be due the following tax year.

When contacting HMRC about your car, you may also be asked if you're making any personal contributions towards your vehicle. As HMRC view salary sacrifice as a reduction in salary and not a personal contribution, you'll need to answer 'no' to this question to ensure you are charged correctly.

PAYE coding notice

Below is an example of a HMRC PAYE coding notice that you should receive if your company car tax is not deducted at source.



This document has been created as a useful guide to the rules surrounding Benefit in Kind, based on Government legislation and rates at the time of publication. Such legislation and rates may change from time to time. This guide is not intended to provide, nor should it be relied on for, tax advice.

Get in touch to find out more

Call us on **0333 400 7431**

or email **EETeam@tuskerdirect.com**



Scan above to learn more about BiK or
visit **tusker cars.com/learning-more-
about-benefit-in-kind**

Tusker.