

TRACTION FINANCE

SUMMARY OF THE UK GOVERNMENT'S

AUTUMN 2021 BUDGET & SPENDING REVIEW



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The Chancellor announced the **Autumn Budget and Spending Review** on 27 October.

In line with the Government's **Ten Point Plan for a Green Industrial Revolution**, and to support the UK's plan to ban the sale of new petrol and diesel car sales (except for some hybrids) in 2030, the Budget further incentivises company car drivers to select vehicles with zero emissions of CO₂.

In summary, new benefit-in-kind (BIK) tax rates will take effect from April 2022 but these will remain frozen until 2024/25. BIK tax rates for 100% electric cars with CO₂ emissions of 0g/km will rise from 1% to 2% of taxable value on the same date.

A continued freeze on fuel duty into 2023 (the 12th consecutive year without a rise) and the announcement of small but significant changes to Vehicle Excise Duty from April 2022 were also confirmed.

"We welcome the Chancellor's decision to freeze BIK at 2% until at least March 2025. This demonstrates the Government's commitment to sustainability and gives companies and company car owners choosing to convert to zero emission cars the comfort of some certainty in these turbulent economic times."

Paul McGuire, Managing Director, Traction Finance.



COMPANY CAR INFORMATION FOR EMPLOYEES

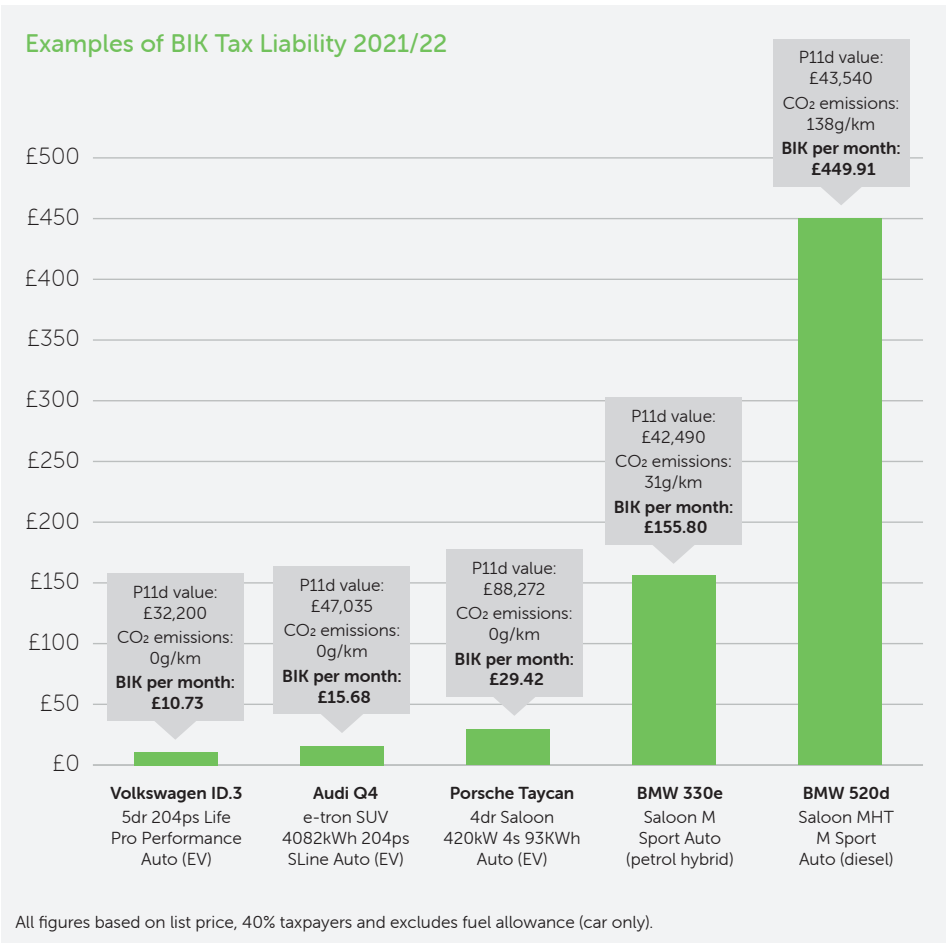
Company car benefit-in-kind tax percentages for cars first registered after 6 April 2020 moved to **WLTP** figures (the universal method used to measure fuel consumption, CO₂ and pollutant emissions). Before this, the NEDC method was used but it is now regarded as outdated.

Company car BIK tax is based on a car's P11D price and emissions of CO₂.

In 2021/22, cars with zero CO₂ emissions when driving (fully battery electric) are liable for BIK tax based on 1% of the P11D value, regardless of the car's registration date. In April 2022, this will increase to 2% but this, as well as all other emissions bands (including plug-in hybrids, petrol and diesel cars), will be unchanged until 31 March 2025.

For cars with CO₂ emissions of between 1 and 50g/km (mostly plug-in hybrids), the number of miles the car can be driven with zero emissions of CO₂ has a significant bearing on tax liabilities.

For cars with CO₂ emissions of 51-165+, the BIK percentage is incremental, up to 37% in the highest band. The full BIK percentage table by emissions band for 2021-2025 can be found [here](#).



Electric Vehicle Homecharge Scheme Grant

All 'Ultra-Low Emission Vehicles' (ULEVs) are eligible for the Electric Vehicle Homecharge Scheme (EVHS) grant.

The EVHS covers up to 75% of the cost of installing a home charge point, capped at £350 including VAT. Find out more [here](#).

COMPANY CAR INFORMATION FOR EMPLOYERS

The Autumn Budget and Spending Review also has some welcome news for employers seeking to electrify its leased company car fleet.

Class 1A National Insurance Contributions

Class 1A National Insurance Contributions (NICs) must be paid by the employer for each vehicle provided to an employee for personal use. Class 1 NICs are based on the vehicle's P11D value and relevant BIK rate.

The level of NICs is also determined by an annual percentage rate which is announced in the Budget and is currently 13.8% in financial year 2021/22.

The basic calculation to determine the amount of Class 1A NICs payable is as follows:
 $\text{P11D value} \times \text{BIK rate based on CO}_2 \times 13.8\% = \text{NIC (2021/22)}$

Examples:

VW ID.3

P11d value - £32,200
BIK rate - 1%
 $(32,200 \times 1\%) \times 13.8\% =$
£44.44

Porsche Taycan

P11d value - £88,272
BIK rate - 1%
 $(88,272 \times 1\%) \times 13.8\% =$
£121.82

BMW 520d

P11d value - £43,540
BIK rate - 35%
 $(43,540 \times 35\%) \times 13.8\% =$
£2,102.98

Lease Rental Restriction

Lease rentals can be offset against tax, with the threshold set at 50g/km of CO₂.

New cars with CO₂ emissions of 50g/km or less are eligible for 100% of payments to be offset, while only 85% is claimable for those with CO₂ emissions of 51g/km or more.

Plug-In Grants

The Government Plug-in Grant is available to cars with zero emissions of CO₂ and a cost of £35,000 or less (this is the recommended retail price and includes VAT and delivery fees).

The grant is a maximum of £2,500 per car in 2021/22. Click [here](#) for a list of grant-eligible vehicles.

Charging Equipment Support

The Workplace Charging Scheme (WCS) provides support towards the up-front costs of the purchase and installation of electric vehicle charge-points, for eligible businesses. Find out more [here](#).

A 130% 'super deduction' allowance, effective until 31 March 2023, applies to expenditure on charging equipment, allowing tax reductions of up to 25p for every £1 invested. Find out more [here](#).



ELECTRIC VEHICLE FAQs

It is clear that there are significant incentives to both employers and employees if they choose to transition to zero CO2 emission company cars.

Traction Finance is here to assist you with all your electric vehicle questions.

1. How much does a home charger cost?

There are a number of chargers on the market to suit a range of budgets. However, the brand that we recommend at Traction (and that we have opted for in our own homes) currently costs £899 including VAT but of course there is the Electric Vehicle Homecharge Scheme (find out more details on page 2), which funds £350 of this, bringing the cost down to £549.

2. How long will it take to charge my car?

Pod Point, one of UK's leading providers of electric vehicle charging, likens charging an electric car to charging a mobile phone – you give it a full charge at home overnight, and if necessary, top it up during the day.

A 7kW home charger will typically take up to 12 hours to charge from empty to full - ample time to charge overnight. You can compare charge times for various makes and models on [Pod Points website](#).

The rapid chargers that are located at service stations and other public places will charge from 20% to 80% in around 40 minutes - the perfect opportunity to grab a bite of lunch.

3. How far will I be able to drive without refuelling?

The range for electric vehicles varies depending on the make, model and range, but this year there have been a number of new models introduced to the market that can extend to 250+ real world miles. And the range is only going to keep improving as car manufacturers learn more about the technology.

The average distance travelled per day in Northern Ireland is just 15 miles ([source](#)). So, while this is a common concern, for most car drivers in Northern Ireland, it is rare that you will need to refuel away from home or be at risk of running out of fuel.

As part of the [Government's Ten Point Plan for a Green Industrial Revolution](#), it has pledged a £2.8 billion funding package to accelerate the shift to zero emission vehicles, of which £1.3 billion has been ear-marked for investment in charging infrastructure, including rapid charge points on motorways and major roads, as well as the installation of on-street charge points near homes and workplaces. So the away-from-home charging infrastructure, which is admittedly lacking at present, is going to significantly improve over the next few years.

Right now, we can advise on the best smartphone apps to help you manage the distance range on your EV. We can share our favourites for journey planning and for accessing charge point locations and real-time rapid charger availability.

4. How much does it cost to run an electric car?

The cost to run an electric car in comparison to fuelling a petrol or diesel car is one of the aspects of EVs that make them so appealing and contributes to the attractiveness of the whole life cost of EVs.

Zap Map's [Journey Cost Calculator](#) allows users to compare the cost of driving an electric vehicle on a typical journey with those of driving a petrol or diesel car. Some examples include:

Comparing a VW ID.3 with a diesel VW T-Roc shows a cost per mile of 4.1p versus 10.8p respectively. Over a year, you could save up to £613* by driving the ID.3 instead of the T-Roc (based on 9,000 miles per annum).

Comparing an Audi Q4 e-tron with a diesel Audi Q3 shows a cost per mile of 4.1p versus 10.8p respectively. An annual mileage of 9,000 miles, show a cost saving of up to £668* in the Q4 e-tron's favour.

*Cost comparison based on home electricity cost of 16.5 pence per kWh versus 111.7 per litre of diesel.



Our team of experts are here for all your company car needs.

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