



Going electric – the advantages of investing in zero-emission vehicles

The Labour government has committed to ending the sale of new petrol and diesel cars by 2030, reversing previous plans to delay this until 2035. Further steps are being taken to increase the availability of electric charging points and to incorporate smart technology into home-owners' charging points. There are now over 74,000 public chargers in the UK with 20,000 added in the last year alone.

Battery development is moving forwards with the result that certain market leaders are promoting cars with a range exceeding 350 miles. On this basis, many electric car users could manage on home-based charging points.



Government grants

The government provides plug-in grants that are intended to boost sales of plug-in taxis, motorcycles, vans and trucks and wheelchair accessible vehicles. The previous grants for other electric cars priced under £32,000 ended in June 2022. Wheelchair accessible vehicles are eligible for a maximum £2,500 grant. Grant rates for the Plug in Van Grant are currently a maximum of £5,000 for large vans and £2,500 for small vans. There is also a maximum grant of £16,000 available for small trucks and £25,000 for large trucks. Motorcycle and moped grants will see the government providing £500 off the cost of a motorcycle, with a price cap on vehicles of £10,000. Many of these grants are limited.

The government is now focusing on helping to expand the public chargepoint network and has committed £2.3 billion to this effort.

Tax breaks for business users

Business owners, who opt for electric vehicle(s), can expect to recover more of their investment in direct tax relief.

For example, businesses can claim 100% First Year Allowance of the cost of an electric vehicle against the profits of the year of purchase and there are no restrictions on the value of the vehicle. The car must be new and unused to qualify for the 100% relief.

Electricity is not a fuel

If your employer pays for your private petrol or diesel, you will be taxed on the value of the private fuel provided as a benefit-in-kind – the Car Fuel Benefit. As electricity is not presently considered to be a fuel, no equivalent tax charge would arise if your employer allowed you to recharge your vehicle on company premises. Also, electricity can be supplied for domestic use at a reduced VAT rate of 5%, whilst petrol carries a 20% VAT charge at the pump. Employers can now reimburse car drivers who recharge vehicles off-site using HMRC's advisory electric rates without creating a taxable benefit.

Benefits-in-kind – company car drivers

Car benefit charges are based on CO2 emission levels. They are added to your income as a taxable perk.

Most are calculated as a fixed percentage rate applied to the cost of the vehicle when new.

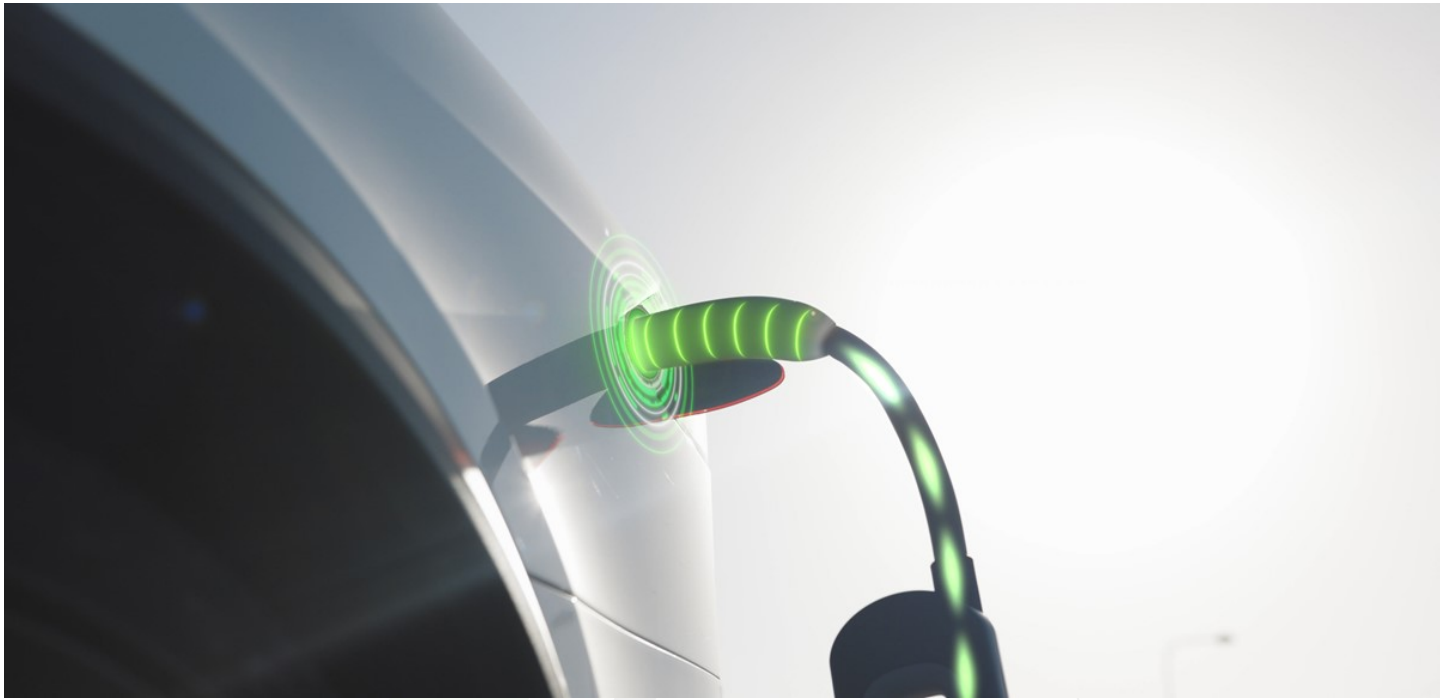
For 2026-27, cars will attract a 4% benefit charge when the emissions are zero grams of CO2 per km (0g/km).

Compare this with the benefit charge for a gas-guzzler pumping out 155 g/km which would be based on 37% of the list price when new.

If the outlay was £40,000 for both vehicles, the 2026-27 benefit charge for the zero-emission car would be £1600, but the petrol driven version would attract a benefit charge of £14,800.

This dramatic difference in benefit charges will not only be an advantage for company car drivers, employers may also see a dramatic decrease in Class 1A National Insurance charges as these are based on the total value of benefits provided in a tax year.





Vehicle Excise Duty

The road tax, or Vehicle Excise Duty (VED) rates for electric, zero, or low-emission cars, vans, and motorcycles changed substantially on 1 April 2025. Registered keepers of these vehicles are now required to pay vehicle tax in the same manner as those with petrol or diesel vehicles. This change applies to both new and existing vehicles. The introduction of this measure effectively eliminates the £0 rate for Band A under the current VED system. Additionally, new electric and zero-emission vehicles with a list price above £40,000 will be subject to the standard rate, along with the expensive car supplement, for the first five years from the start of the second year of registration.

Vans

There is no benefit-in-kind charge for the private use of a company van if the private mileage is insignificant.

If the van is an electric vehicle, there is no benefit-in-kind charge even if the private mileage is significant.

Charging points

Employers can claim a full write-off for the costs of providing charging points to employees.

Where employees own or lease an electric car, they could claim a grant under the Electric Vehicle Homecharge Scheme. This grant covers a 75% contribution towards the cost of one charge point and its installation, up to a maximum of £350 (including VAT) per household/eligible vehicle, subject to meeting the relevant eligibility criteria.

Servicing

It has also been speculated that as electric vehicles have fewer moving parts, no exhaust or engine oils, service costs would be lower than petrol or diesel engine vehicles. Some electric car service plans start as low as £100 per annum.

Buyers will need to consider the working life of batteries and their replacement costs. It is too soon to speculate on resale values...

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