ABC Business Services

TAX · QUICK REFERENCE

Company Car Tax: Quick Reference Guide (2026/27)

A fast lookup for how petrol, diesel, hybrid and electric cars are taxed, depending on how your business is set up.

> **THE GOLDEN RULE**
> Sole traders and partners never pay Benefit in Kind on their own car. Benefit in Kind only applies where a limited company (or any employer) provides a car to a director or employee.

Sole traders and partnerships: your options

METHOD	HOW IT WORKS	BEST FOR
Mileage rate	55p per mile for the first 10,000 business miles, 25p after that. Same rate for petrol, diesel, hybrid and electric.	Lower value cars, lower mileage, simplicity
Actual costs plus capital allowances	Claim running costs plus a capital allowance, both apportioned for business use	Expensive or low emission cars, especially electric

Capital allowance rates for the "actual costs" route:

CAR TYPE	ALLOWANCE
New, zero emission	100% in year one (deadline 5 April 2027)
50g/km CO2 or less	14% a year (main rate pool)
Above 50g/km CO2	6% a year (special rate pool)

You cannot use the Annual Investment Allowance on any car, and you cannot mix mileage and capital allowances on the same vehicle.

Limited companies: two layers of tax

1. The company's deduction

CAR TYPE	COMPANY CAN CLAIM
New, zero emission, bought outright	100% First Year Allowance (deadline 31 March 2027)
50g/km CO2 or less	14% a year
Above 50g/km CO2	6% a year
Leased, zero emission or 50g/km or less	100% of lease payments
Leased, above 50g/km	85% of lease payments

2. The director or employee's Benefit in Kind

BIK = P11D value x appropriate percentage x your income tax rate. The company also pays 15% Class 1A NIC on the same value.

VEHICLE	2026/27 BIK RATE
Fully electric	4%
Plug in hybrid, 130+ mile range	4%
Plug in hybrid, 70 to 129 mile range	7%
Plug in hybrid, 40 to 69 mile range	13%
Plug in hybrid, under 40 mile range	15% to 19%
Petrol, 51 to 54g/km	17%
Petrol or diesel, 160g/km+	37%
Non RDE2 diesel	add 4%, capped at 37%

EV RATES CONFIRMED TO 2030

4% (2026/27), 5% (2027/28), 7% (2028/29), 9% (2029/30, capped).

Example: £40,000 car, higher rate director

VEHICLE	DIRECTOR PAYS (INCOME TAX)	COMPANY PAYS (CLASS 1A NIC)
Electric	£640/year (~£53/month)	£240
Petrol/diesel, 51 to 54g/km	£2,720/year (~£227/month)	£1,020
Petrol/diesel, 160g/km+	£5,920/year (~£493/month)	£2,220
Hybrid, 40 to 69 mile range	£2,080/year (~£173/month)	£780

Fuel and charging

- Petrol/diesel private fuel paid by the company: separate fuel benefit charge applies.
- Electricity is not "fuel": no benefit charge if the company pays for charging.
- Advisory rates for reimbursing company car mileage (not the same as the 55p mileage rate, which is for personal vehicles only): 7p/mile home charging, 15p/mile public charging, 14p to 26p/mile for petrol depending on engine size.

Other costs to remember

- Road tax (VED): £200 a year standard rate; £10 first year for new EVs.
- Expensive Car Supplement: £440/year for 5 years if list price is over £40,000 (over £50,000 for zero emission cars).
- Pay per mile charge for EVs and PHEVs expected from April 2028 (still being consulted on).

Key deadlines

DEADLINE	WHAT HAPPENS
31 March 2027	Last date for 100% First Year Allowance on new EVs bought by companies
5 April 2027	Same deadline for sole traders and partnerships
After these dates	New EVs fall into the 14% main pool instead

FULL ARTICLE Read the full company car tax guide

Not sure which route suits your business?
Speak to our Accounting and Tax Experts

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Disclaimer *This article is for general information only and does not constitute tax or financial advice. Capital allowance deadlines, Benefit in Kind percentages and Vehicle Excise Duty thresholds are all subject to future Budget announcements, so figures should be checked against current HMRC guidance before making a purchasing decision. Tax rules and HMRC guidance can change, so please seek advice tailored to your circumstances before acting on anything here. ABC Business Services accepts no liability for loss arising from reliance on this content.*