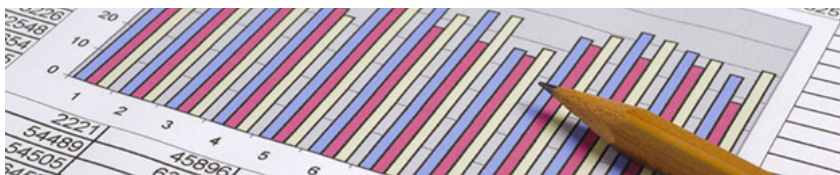




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BIK rates and company car tax

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[Company car tax](#) is designed to encourage employers and company car drivers to choose cars with lower levels of CO2 emissions; incentives are offered both to the [company](#) and to the recipient of the vehicle to select low emission vehicles.

Under the current system, company and employee company car [tax](#) are both based on a percentage of the official price of the [car](#) (called the 'P11D'), the percentage being primarily determined by the car's CO2 emissions. For the employee, the **Benefit-in-Kind (BIK)** is then taxed at the appropriate personal tax rate (usually collected through PAYE).

Being primarily CO2-based, the system of [company car](#) tax has contributed to a significant increase in the number of diesel cars in the UK – over half of UK new cars are now diesels as compared to only around 20% a decade ago. Company tax benefits for zero-emission vehicles has also led to the majority of electric car sales being for fleet or company car use.

The company car tax payable by an employee is based on the vehicle's P11D value multiplied by the appropriate BIK rate (determined by the car's CO2 and fuel type) and the employee's income tax rate (basic rate of 20%, higher rate of 40% or additional rate of 45%).

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Company car BIK rates 2015 - 2020

The rates shown are for April 2015 to March 2020 as confirmed in Budget 2015.

Company car BIK rates in 2015 start at 13% for conventional petrol and 16% for diesel vehicles, the rate increasing in 1% increments with increasing CO2 up to a maximum of 37%.

The rates for diesel vehicles are generally 3% higher than those for petrol equivalents, this is to take into account the greater emissions of local pollutants such as NOx. However, the 3% diesel differential will be scrapped from April 2016.

All hybrid company cars also receive a reduced BIK rate as a result of their lower CO2 emissions, which tends to reduce their BIK rates by at least 5%. Note that for diesel hybrid powered cars, the 3% diesel surcharge does not apply.

Ultra Low Carbon Vehicles (ULEVs) are rewarded with lower BIK rates – from April 2015, plug-in hybrids are rated at 5% or 9% (depending on official CO2 emissions), and battery electric cars are rated at 5%.

In April 2016 and 2017, BIK rates for cars in the 0-50 g/km and 51-75 g/km CO2 bands are due to increase by 2% per year with a 3%-4% rise planned for 2018. However, a 4% differential

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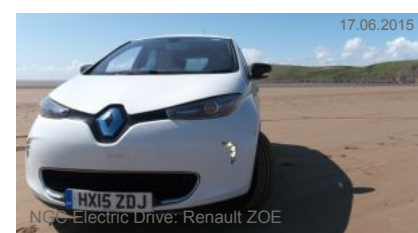
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between the three lowest CO2 bands will be maintained in 2017, reducing to a 3% differential in 2018 and 2% thereafter in line with the previous Budget announcements.

The Government will review the incentives for ULEVs in light of market developments in Budget 2016, to inform decisions on Company Car Tax from 2020-21 onwards.

The tables below show how the percentage BIK rates vary with vehicle CO2. The table represents both petrol, diesel and electric related BIK rates for this and the next four tax years.

For vehicles registered before 1st January 1998, there is no reliable source of CO2 emissions data. If such vehicles are used as company cars, they are taxed according to engine size: Up to 1400cc, BIK 15%; 1401-2000cc, BIK 22%; Over 2000cc, BIK 32%.

Company Car Tax BIK Rates 2015-20: HMRC Fuel Type E (zero-emission cars)

Vehicle CO2 g/km	2015-16 %BIK Rate	2016-17 %BIK Rate	2017-18 %BIK Rate	2018-19 %BIK Rate	2019-20 %BIK Rate
	Electric	Electric	Electric	Electric	Electric
0 (EV)	5	7	9	13	16

Source: Budget 2014, Budget 2015. Notes: For cars registered since 1998.

Company Car Tax BIK Rates 2015-20: HMRC Fuel Type D (diesel cars) and A (other cars)

Vehicle CO2 g/km	2015-16 %BIK Rate		2016-17 %BIK Rate	2017-18 %BIK Rate	2018-19 %BIK Rate	2019-20 %BIK Rate
	Petrol	Diesel	All fuels	All fuels	All fuels	All fuels
1-50	5		7	9	13	16
51-75	9		11	13	16	19
76-94	13	16	15	17	19	22
95-99	14	17	16	18	20	23
100-104	15	18	17	19	21	24
105-109	16	19	18	20	22	25
110-114	17	20	19	21	23	26
115-119	18	21	20	22	24	27
120-124	19	22	21	23	25	28
125-129	20	23	22	24	26	29
130-134	21	24	23	25	27	30
135-139	22	25	24	26	28	31
140-144	23	26	25	27	29	32
145-149	24	27	26	28	30	33
150-154	25	28	27	29	31	34
155-159	26	29	28	30	32	35
160-164	27	30	29	31	33	36
165-169	28	31	30	32	34	37
170-174	29	32	31	33	35	37
175-179	30	33	32	34	36	37
180-184	31	34	33	35	37	37
185-189	32	35	34	36	37	37
190-194	33	36	35	37	37	37
195-199	34	37	36	37	37	37
200-204	35	37	37	37	37	37
205-209	36	37	37	37	37	37
210-214	37	37	37	37	37	37
215-219	37	37	37	37	37	37
220-224	37	37	37	37	37	37
225-229	37	37	37	37	37	37
230 or above	37	37	37	37	37	37

Source: Budget 2014, Budget 2015. Note: For cars registered since 1998. Notes: For diesel hybrid powered cars, the 3% diesel surcharge in 2014-15 and 2015-2016 does not apply. For HMRC purposes, Fuel Type E is for zero-emission cars (including those which run on electricity only), Fuel Type D is for all diesel cars (former types D and L), and Fuel Type A is for all other cars (former types P, H, B, C, G).



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