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FACTSHEET · LIMITED COMPANIES

Company Cars and Electric Vehicles

A company car is a tax decision as much as a motoring one. This factsheet explains how company cars are taxed, why electric vehicles are so efficient, and when claiming mileage on your own car wins instead.

Tax year **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · Sources: gov.uk

MILEAGE (CAR)	CORPORATION TAX	PERSONAL ALLOWANCE
45p / 25p per mile	**19% – 25%**	**£12,570**

01 Company cars are a benefit-in-kind

If your company provides a car you can use privately, you pay tax on a benefit-in-kind based on a percentage of the car's list price, set by its CO_2 emissions. Higher-emission cars carry a much larger taxable benefit.

> The dirtier and pricier the car, the bigger the benefit-in-kind, so petrol and diesel company cars are often expensive to run through the business.

02 Why electric vehicles are tax-efficient

Pure-electric cars have a very low benefit-in-kind rate, just 3% of list price for 2025/26, rising by around one percentage point a year. That makes an EV one of the most tax-efficient perks a company can offer a director or employee.

- 3% BIK rate on electric cars for 2025/26
- Rate increases gradually in later years
- Far lower taxable benefit than equivalent petrol or diesel cars

03 Salary sacrifice for EVs

Many employers offer electric cars through salary sacrifice, where the employee gives up gross salary in exchange for the car. Combined with the low BIK rate, this can be a cost-effective way to provide an EV.

> Salary sacrifice swaps taxed salary for a low-BIK benefit, which is why EV schemes have become so popular.

04 Vans and capital allowances

Vans used mainly for business are taxed on a flat benefit, which is usually far simpler and cheaper than a car. Company-owned cars may also qualify for capital allowances or first-year allowances, with the most generous reliefs for low-emission and electric vehicles.

- Vans: a flat-rate benefit-in-kind, not a percentage of list price
- Capital allowances may apply to company-owned cars
- Electric and low-emission cars attract the most generous reliefs

05 Or claim mileage on your own car

Instead of a company car, you can own the car personally and claim tax-free mileage for business journeys at HMRC's approved rates. This is often best for lower business mileage or older cars.

- 45p per mile for the first 10,000 business miles, 25p after
- Motorcycles 24p, bicycles 20p per mile
- No benefit-in-kind on a personally owned car

06 How to decide

The right answer depends on the vehicle type, your business mileage, and how the benefit-in-kind compares with simply claiming mileage. An electric company car often wins, while a high-emission car is usually better owned personally with mileage claimed.

> Model the benefit-in-kind against the mileage alternative before you buy; the gap can be thousands of pounds a year.

Common questions

Is an electric company car really worth it?

For 2025/26 the benefit-in-kind on a pure-electric car is just 3% of list price, so the personal tax cost is low. Combined with capital allowances for the company, an EV is often very efficient.

Can the company pay for charging or fuel?

It can, but providing private fuel for a petrol or diesel car creates a separate, often costly benefit-in-kind. Electricity for an electric company car is treated more favourably.

Should I put my car through the company or claim mileage?

It depends on the vehicle and your mileage. Low-emission and electric cars often suit company ownership, while high-emission or low-mileage situations usually favour claiming AMAP mileage on a personally owned car.

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