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LIMITED COMPANIES

ZMARTLY FACTSHEET SERIES

Company Cars, Vans and the Tax Trap

Should you buy a car through the company? Usually no, unless it is electric. How the benefit in kind works, what petrol, diesel, electric and vans really cost, and when keeping your own car and claiming mileage wins.

Tax year **2026/27** · Prepared by **Harvey Dhillon** · Last reviewed **21 August 2026** · Sources: gov.uk

MILEAGE (CAR)	CORPORATION TAX	EMPLOYER'S NIC	PENSION ANNUAL ALLOWANCE
55p / 25p per mile	**19% – 25%**	**15% over £5,000**	**£60,000**

01 How company car tax really works

Your taxable benefit in kind is the car list price (its P11D value) multiplied by an appropriate percentage set by CO2 emissions, multiplied by your income tax rate. A low-emission car is taxed on a small slice of its value, a high-emission one on a big slice.

- A 40,000 pound petrol car at 145 g/km sits at the 35% band
- Benefit equals 40,000 pounds times 35%, so 14,000 pounds
- For a higher-rate (40%) director that is about 5,600 pounds a year in tax

GOOD TO KNOW
Get the formula and the rest is just numbers fed into it: list price, times CO2 percentage, times your tax rate.

02 The electric standout

A fully electric company car is taxed on just 4% of its list price for 2026/27 (3% in 2025/26, rising to 5% in 2027/28). The same 40,000 pound car as an electric vehicle gives a benefit of only 1,600 pounds, about 640 pounds a year for a higher-rate director, against roughly 5,600 pounds for the petrol version.

GOOD TO KNOW
The company can also claim a 100% first-year allowance on a new, unused zero-emission car.

03 Petrol, diesel and the van alternative

The appropriate percentage rises with CO2 emissions to a maximum of 37%. Non-RDE2 (Euro 6d) diesel cars add a 4% supplement, still capped at 37%. The bands for 2026/27 run:

- 0 g/km fully electric: 4%
- 1 to 50 g/km: 4% to 16%, by electric range
- 51 to 75 g/km: 17% to 21%
- Around 95 g/km: 25%
- Around 145 g/km: 35%
- 155 g/km and above: a flat 37%, the maximum

GOOD TO KNOW
If the company pays for private fuel, a separate car fuel benefit applies the same CO2 percentage to a fixed 29,200 pounds. Fully electric cars have no fuel benefit charge.

04 Vans, the simpler and cheaper route

A van with private use carries a flat van benefit charge of 4,170 pounds for 2026/27, not a percentage of value, plus a 798 pound van fuel benefit if the company pays for private fuel. A fully electric van has a nil benefit charge.

GOOD TO KNOW
If a van suits the work, it is often far cheaper than any car.

05 P11D, the company bill, and the mileage route

You report the benefit each year on a P11D, or payroll it. Mandatory payrolling is phased in from April 2027 for certain benefits, including company cars, car fuel, vans, van fuel and employer-provided medical benefits, with most remaining benefits following in April 2028. Loans and living accommodation stay voluntary. The company also pays Class 1A National Insurance at 15% on the benefit, so a 14,000 pound petrol car benefit costs the company 2,100 pounds, on top of your personal tax.

- Own the car personally and the company reimburses business journeys tax free at 55p a mile for the first 10,000 miles, then 25p
- No benefit in kind, no Class 1A, no P11D entry on the mileage route
- For lower mileage, or any petrol or diesel car, the mileage route frequently wins

GOOD TO KNOW
A fully electric car through the company is usually the clear winner. For a petrol or diesel car, owning it yourself and claiming mileage often leaves you better off.

Common questions

Is it worth buying a car through my limited company?

Usually only if it is fully electric. An electric car is taxed on just 4% of its list price for 2026/27 and the company can claim a 100% first-year allowance, so the company route tends to win. For a petrol or diesel car the benefit in kind can reach 37% of the list price, and owning the car personally and claiming mileage often costs you less.

How much tax will I pay on a company car?

Take the list price, multiply by the appropriate percentage for the car CO2 emissions (4% to 37%), then multiply by your income tax rate. For example, a 40,000 pound petrol car at 145 g/km is in the 35% band, giving a 14,000 pound benefit and about 5,600 pounds a year in tax for a higher-rate director.

Are electric company cars really cheaper?

Yes. The benefit in kind is only 4% of the list price for 2026/27 (rising to 5% in 2027/28), there is no fuel benefit charge, and a new electric car qualifies for a 100% first-year allowance. The same 40,000 pound car costs a higher-rate director about 640 pounds a year as an electric vehicle, against roughly 5,600 pounds as a petrol car.

NEXT STEP

Get expert eyes on your tax

Book a free 30-minute Tax Health Check — we review your situation, sense-check the figures and show you where you could save.

Scan to book a free call

For guidance only — this factsheet does not constitute professional advice and is not a substitute for advice based on your specific circumstances. Whilst every care has been taken in its preparation, it may contain errors for which we cannot be responsible. Figures are for the 2026/27 UK tax year (England, Wales & Northern Ireland) and may change. Scottish taxpayers face different income tax rates; dividend rates are UK-wide. Last reviewed 21 August 2026.

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