



LIMITED COMPANY TAX SERIES

TAX YEAR 2026/27

LIMITED COMPANIES · COMPANY CARS AND VANS

Company Cars, Vans and the **Tax Trap**

Should you buy a car through the company? The honest answer is usually no, unless it is electric. This guide shows the benefit in kind, the P11D cost and what each option really costs, with the numbers checked against current GOV.UK guidance.

ELECTRIC CAR
BENEFIT

4%

PETROL CAR
BENEFIT

up to 37%

CLASS 1A NIC

15%

• [START HERE](#)

The question every director asks, and the counter-intuitive answer

A company car feels like a perk the business pays for. In tax terms it is a benefit, and you are taxed on it personally every year you have it. For a petrol or diesel car that tax is often steep. For a fully electric car it is tiny. This guide gives you the numbers to decide on your own figures, for the 2026/27 tax year.

At a glance, the numbers that decide it

<p>ELECTRIC CAR BENEFIT</p> <p>4%</p> <p>Of list price, 2026/27</p>	<p>PETROL/DIESEL BENEFIT</p> <p>37%</p> <p>Up to, by CO2 emissions</p>	<p>VAN BENEFIT CHARGE</p> <p>£4,170</p> <p>Flat, nil if electric</p>	<p>MILEAGE INSTEAD</p> <p>55p</p> <p>First 10k miles, then 25p</p>
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What is inside

- 01** **How company car tax works**
List price x CO2 percentage x your tax rate · page 3
- 02** **The electric standout**
Why a 4% benefit changes everything · page 3
- 03** **Petrol, diesel and vans**
The high charges, fuel benefit and the van rule · page 4
- 04** **P11D, NIC and the mileage route**
Employer cost and the alternative · page 5

⚠ THE TRAP IN ONE LINE
A petrol or diesel company car is taxed on a big slice of its list price **every year**, and the company pays National Insurance on top. Many directors would keep more money owning the car privately and claiming mileage. Run your own numbers before you sign.

🕒 What you'll need ABOUT 10 MINUTES

- 🕒 **The car's list price (P11D value)** and its CO2 emissions in g/km
- 🕒 **Your marginal tax rate**, 20%, 40% or 45%, and your business mileage
- 🕒 **Whether the company would pay for private fuel**, and is it a car or a van

01 THE MECHANICS

How company car tax really works

There is one formula behind all of it. Get this and the rest of the guide is just numbers fed into it.

Your taxable benefit in kind is the car's **list price** (its P11D value) multiplied by an **appropriate percentage** set by its 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 is taxed on a big slice.

STEP	WHAT IT IS	EXAMPLE CAR
List price	The P11D value: list price plus options, before discounts	£40,000
× CO2 percentage	The appropriate percentage set by emissions (4% to 37%)	× 35%
= Taxable benefit	The cash equivalent reported each year	£14,000
× Your tax rate	Your marginal rate (20%, 40% or 45%)	× 40%
The tax you pay each year		£5,600

Source: GOV.UK, Tax on company cars and Work out the appropriate percentage (480 Appendix 2). 2026/27. The example is a petrol car at about 145g/km CO2 for a higher-rate director.



SECTION 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 car as an EV gives a benefit of only £1,600, about **£640 a year** for a higher-rate director, against roughly £5,600 for the petrol version. The company can also claim a **100% first-year allowance** on a new, unused zero-emission car.



Worked example · the same £40,000 car, electric vs petrol

Electric car: £40,000 × 4%	£1,600 benefit
Tax for a higher-rate (40%) director	£640 / year
Petrol car: £40,000 × 35%	£14,000 benefit
Tax for the same director	£5,600 / year
The electric car saves about	£4,960 / year

03 THE HIGH-CHARGE END

Petrol, diesel and the van alternative

Combustion cars sit at the expensive end of the table, and a separate charge applies if the company pays for private fuel. Vans work on a different, often cheaper, basis.

Petrol and diesel cars

The appropriate percentage rises with CO2 emissions, up to a maximum of **37%**. Diesel cars that do not meet the RDE2 (Euro 6d) standard add a **4% diesel supplement**, though the total is still capped at 37%. On top of that, if the company pays for any **private fuel**, a separate fuel benefit applies: the same CO2 percentage is applied to a fixed figure of **£29,200** for 2026/27.

CO2 EMISSIONS	PETROL PERCENTAGE	WITH 4% DIESEL SUPPLEMENT
0 g/km (electric)	4%	n/a
1 to 50 g/km	4% to 16% (by electric range)	8% to 20%
51 to 75 g/km	17% to 21%	21% to 25%
95 g/km	25%	29%
145 g/km	35%	37% (capped)
155 g/km and above	37%	37% (capped)

Source: GOV.UK, Work out the appropriate percentage for company car benefits (480 Appendix 2), 2026/27. Diesel supplement does not apply to RDE2-compliant cars. Maximum percentage 37%.



PRIVATE FUEL IS RARELY WORTH IT

The car fuel benefit applies the CO2 percentage to a fixed **£29,200**, whatever fuel you actually use. A 30% car means a £8,760 benefit, about £3,504 a year in tax at 40%. Unless you do very high private mileage, paying for your own petrol usually costs less. **Fully electric cars have no fuel benefit charge.**

Vans, the simpler and cheaper route

A van with private use carries a **flat van benefit charge of £4,170** for 2026/27, not a percentage of value, plus a **£798** van fuel benefit if the company pays for private fuel. A **fully electric van has a nil benefit charge**. If a van suits the work, it is often far cheaper than any car.

04 THE EMPLOYER COST AND THE ALTERNATIVE

P11D, the company's bill, and the other route

The benefit is not just your problem: the company reports it and pays National Insurance on it. And there is a clean alternative that often wins for lower mileage.

Reporting and the company cost

You report the benefit each year on a **P11D**, or payroll it through your software. **Payrolling of most benefits becomes mandatory from April 2027**, phased in, so many companies are moving across now.

The company pays **Class 1A National Insurance at 15%** on the value of the benefit. So a £14,000 petrol car benefit costs the company £2,100 in NIC, on top of your personal tax.

Keep your own car, claim mileage

Own the car personally and the company can reimburse 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.

For lower mileage, or any petrol or diesel car, this route frequently beats a company car outright. Compare both on your own numbers before deciding.

THE THREE ROUTES	YOUR PERSONAL TAX	COMPANY NIC COST
Electric company car	£640 / year (40% on £1,600)	£240 / year
Petrol company car	£5,600 / year (40% on £14,000)	£2,100 / year
Own car, claim mileage	Nothing (tax-free reimbursement)	£0

Source figures: GOV.UK rates above. Class 1A NIC at 15% on the benefit. Based on the £40,000 example car for a higher-rate director.



THE PATTERN MOST DIRECTORS LAND ON

A **fully electric car** through the company is usually the clear winner: a 4% benefit and a 100% first-year allowance. For a **petrol or diesel car**, owning it yourself and claiming mileage usually leaves you better off. The next page is a checklist to work out which is true for you.

05 COMPANY CAR OR MILEAGE

The company car or mileage decision checklist

Print this page. Work through it for the specific vehicle you are weighing up, and you will have your answer before you call us.

 **Gather the numbers**

- Note the **list price (P11D value)**, including options
- Note the **CO2 emissions** in g/km and the fuel type
- Confirm your **marginal tax rate**: 20%, 40% or 45% DRIVES IT
- Estimate your **annual business mileage** honestly
- Decide if the company would pay for **private fuel**

 **Work out the company car**

- Find the **appropriate percentage** from the CO2 table
- Benefit = **list price × percentage**;
tax = benefit × your rate KEY SUM
- Add the **car fuel benefit** only if the company pays private fuel
- Add **15% Class 1A NIC** as the company's cost
- For an EV, check the **100% first-year allowance** applies

 **Work out the mileage route**

- Multiply business miles by **55p** for the first 10,000
- Multiply the rest by **25p** a mile
- This reimbursement is **tax free**, no P11D, no NIC NO BIK
- Compare your **own running costs** against the mileage claim

 **Decide and record**

- If the car is **electric**, the company route usually wins USUALLY BUY
- If **petrol or diesel** and mileage is modest, keep it personal OFTEN MILEAGE
- Set up **P11D or payroll** if you go for a company car
- Keep a **mileage log** if you claim mileage instead
- Note that **payrolling is mandatory from April 2027**
- Have us **sense-check the figures** before you commit



THE HONEST TEST

If the car is electric, the company route almost always wins. If it is petrol or diesel and your business mileage is modest, the mileage route usually wins. When the two are close, the non-tax factors and your cash flow decide it. We can run the exact figures with you.



— FREE COMPANY CAR REVIEW

We work out EV vs petrol vs mileage on your numbers

Book a free, no-obligation review and a CIMA-qualified accountant will run the three routes for your actual vehicle and mileage, then tell you in plain English which leaves you better off and by how much.

- ✓ The full benefit in kind and P11D cost for the car you are considering
- ✓ A clear electric versus petrol versus own-car-mileage comparison
- ✓ A plain-English answer on which route saves you the most, no jargon, no charge
- ✓ Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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Mon–Fri, 9am–5pm

About this guide. Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year. This guide is general information, not advice for your specific circumstances; rates and thresholds can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.