

# Understanding Benefit in Kind



**cpcdrive**

in partnership with

**Tusker.**

# What is Benefit in Kind?





When organisations provide a car as a benefit to their employees HMRC class it as a Benefit in Kind (BiK) and as a result, you will need to pay company car tax.



A woman with curly hair is seen from behind, looking out of a car window. The image is split vertically: the left side shows her hair and a yellow top, while the right side shows the car's interior and the view through the window.

# How is company car tax calculated?

All taxable benefits have to be valued so HMRC can determine the correct amount of tax to be charged. Some employee benefits will have a specific value but with a car, the tax is based on the 'use' of the car so is calculated differently to other benefits.

## Cars with 75g/km of CO<sup>2</sup> or below

For Ultra Low Emission Vehicles (ULEVs), which are cars with CO<sup>2</sup> emissions of 75g/km and below, you will pay tax on the Benefit in Kind value. This value is determined by the car's P11D value (list price, including extras and VAT, but without the first-year registration fee and vehicle tax) and then multiplied by the BiK rate which is based on the CO<sup>2</sup> emissions and fuel type. This figure is then multiplied by your tax rate (e.g. 20%, 40% or 45%) to calculate the annual amount of company car tax to be paid. For cars that are pure electric, you won't pay any Benefit in Kind until April 2021, when the BiK rate will be 1%.

## Cars above 75g/km of CO<sup>2</sup>

For cars with CO<sup>2</sup> emissions above 75g/km, the taxable benefit is determined by the higher value of either your income tax saving on the gross salary sacrifice amount or the Benefit in Kind value explained above.





# Company Car Tax Bands



CO <sub>2</sub> emissions g/km	Electric range	2020-21	2021-22	2022-23
0	n/a	0	1	2
1-50	>130 miles	0	1	2
1-50	70-129 miles	3	4	5
1-50	40-69 miles	6	7	8
1-50	30-39 miles	10	11	12
1-50	<30 miles	12	13	14
51-54		13	14	15
55-59		14	15	16
60-64		15	16	17
65-69		16	17	18
70-74		17	18	19
75-79		18	19	20
80-84		19	20	21
85-89		20	21	22
90-94		21	22	23
95-99		22	23	24
100-104		23	24	25
105-109		24	25	26
110-114		25	26	27
115-119		26	27	28
120-124		27	28	29
125-129		28	29	30
130-134		29	30	31
135-139		30	31	32
140-144		31	32	33
145-149		32	33	34
150-154		33	34	35
155-159		34	35	36
160-164		35	36	37
165-169		36	37	37
170 and over		37	37	37



4% supplement applies to diesel vehicles not meeting the RDE2 standard. For diesel-hybrids, the Non-RDE2 4% diesel surcharge does not apply. BIK rates will apply to cars registered from April 2020. Source: HMRC 2020

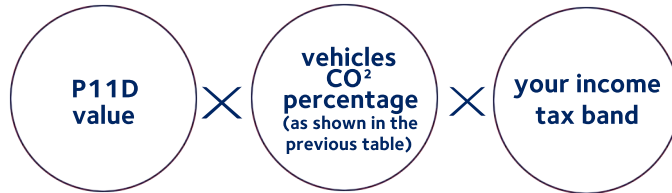






# Benefit in Kind calculation

The Benefit in Kind is calculated in the following way:



Divide by 12 for the monthly amount  
of Benefit in Kind

## Example Calculation

**£258\***

Monthly net amount (Effect on take home salary)

Peugeot 208 Hatch 5Dr 0.0Electric 50kWh 136 Active Auto


P11D value: £29515

Benefit in Kind rate: 0%

Amount taken from gross salary	£445
Income Tax saving	-£178
National Insurance saving	-£9
Benefit in Kind	-£0
Effect on net salary	£258

\*While CPC in partnership with Tusker's monthly Gross reduction pricing remains consistent, Benefit in Kind amounts change annually based on CO<sub>2</sub> emissions. This will affect your net monthly amounts from 6th April each year.

Total net monthly amount	2020/2021	2021/2022	2022/2023
	£258	£268	£278
Length of agreement		36 months	
Annual mileage		10,000	




# Where can I see the Benefit in Kind value?

Our online quotation system will automatically calculate the correct BiK value of the car you've chosen based upon the CO<sup>2</sup> emissions, additional options, fuel type, P11D value and applicable tax rate according to the salary you've entered in the system. It will also take into account whether or not the car is a ULEV.

We'll also display the 'Net Amount' (which is the impact on your take home salary) for the next three years as the tax rates charged by HMRC increase each year as shown in the table on page 6.

You can visit the online system to view quotations, or if you have already had your car delivered, you can still view your car details under the 'My Account' menu once you've logged in to the system.







# How do HMRC receive company car tax?

There are two main ways of paying company car tax and it's important you check with your employer as to which will apply as this will affect whether you need to contact HMRC to advise them about your car.

Deduction (tax) at source - this means it's deducted directly from your salary by your employer and you won't need to notify HMRC.

Via PAYE coding notice - HMRC will collect your company car tax by issuing you with an amended PAYE Coding Notice, which means that the tax generated by the Benefit in Kind will reduce your personal tax free allowance.

If your employer doesn't deduct at source then HMRC need to be notified that you have this employee benefit. If the tax is not collected via your tax code for the year the benefit is received, it could mean an underpayment of tax which will be due the following tax year.

When contacting HMRC about your car, you may also be asked if you're making any personal contribution towards your vehicle. As HMRC view salary sacrifice as a reduction in salary and not a personal contribution, you'll need to answer 'no' to this question to ensure you are charged correctly.





# PAYE coding notice

Below is an example of a HMRC PAYE coding notice that you should receive if your company car tax is not deducted at source.\*



12345678910

Jayne Perkins  
88 Testing Road  
Testtown  
TESTSHIRE  
PO57 00D3

## Your tax code notice

To stop getting letters from us and receive your updates online, change your settings at [gov.uk/personal-tax-account](https://gov.uk/personal-tax-account)

1 October 2020

Dear Ms Jayne Perkins  
National Insurance number Q\*\*\*\*56A

### **This is to tell you your tax code(s) for 6 April 2020 to 5 April 2021**

Your tax code is used by your employer(s) and/or pension provider(s) to work out how much Income Tax to collect from your pay or pension. We send them a separate tax code notice. This tax code should match those shown on any future payslip(s)/pension advice slip(s) you receive. Please check the information below. If it's right, you don't need to do anything. If you think your tax code is wrong, you can check and let us know of any changes online, go to [gov.uk/personal-tax-account](https://gov.uk/personal-tax-account)

### **This is how we worked out your tax code(s)**

Your tax-free amount		For help
Personal allowance	£12500	Go to note 1
Total	£12500	
Less adjustment for estimated tax you owe (this year)	£488	Go to note 2
<b>Total tax-free amount</b>	<b>£12012</b>	

Your total tax-free amount is used as follows	Tax code	For help
<b>Your employer 1</b>	£6012 of this income is tax-free <b>601LX</b>	Go to note 3
<b>Your employer 2</b>	£6000 of this income is tax-free <b>600T</b>	Go to note 4
<b>This totals your tax-free amount</b>	<b>£12012</b>	Go to note 5
<b>Estimated tax you owe (this year)</b>	<b>£97.80</b>	Go to note 2

### **Improving our tax system**

By making automatic adjustments to your tax code, any changes in the tax you pay will be reflected in your income or taxable pay, as soon as your employer(s) and/or pension provider(s) starts to use your new code. More customers should therefore end the year having paid the right amount of tax.

# Get in touch to find out more

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[www.cpcdrive.nhs.uk](http://www.cpcdrive.nhs.uk)

