

## Tax on company cars

You pay tax on a company car if it is available for private use by you, your family or household (private use includes commuting).

The tax is normally collected through your Pay As You Earn (PAYE) tax code. A company car is a car which you do not own but can use by reason of your employment.

The tax you pay depends on a number of factors, the main ones being:

- the list price of the car and any optional accessories
- the car's approved CO<sub>2</sub> emissions figure (see the vehicle registration certificate, V5C)
- the fuel it uses
- whether you pay a lump sum up front for the car or an accessory (a 'capital contribution')
- whether you have to and do make any regular payments for private use of the car
- whether it was available for the whole tax year.

The tax system is designed to favour cars that are less damaging to the environment and encourage you and your employer to choose such cars. You can therefore reduce your tax liability (and your employer will also save on National Insurance contributions) by choosing a car with low CO<sub>2</sub> emissions. Cars that can run on alternative fuels such as hybrid electric and LPG also have reduced tax charges.

The normal charge is between 15% and 35% of the list price of the car, though the reductions for cars with low CO<sub>2</sub> emissions or alternative fuels can reduce the charge to below 15%. The maximum can never exceed 35%, even for diesels, most of which incur a 3% surcharge to reflect their greater adverse effect on urban air pollution. There is an interactive calculator online go to [www.hmrc.gov.uk/calcs/cars.htm](http://www.hmrc.gov.uk/calcs/cars.htm) to enable you to work out the charge for a particular car (you will need all the information above to be able to do a calculation) and give you an indication of the tax you will pay. Should you need it, more detailed information on the rules is available online, go to [www.hmrc.gov.uk/helpsheets/hs203.pdf](http://www.hmrc.gov.uk/helpsheets/hs203.pdf)

There are special pricing rules for classic cars (those over 15 years old at the end of the tax year).

## What if I only use the car for work journeys?

If the only journeys you are permitted to make in the car are work journeys - for example, making calls to customers - there is no tax charge unless you actually use it for other, private purposes as well.

## How can I show there is no other private use?

Your employer must be able to show to us that you don't have to pay tax. This means you could be asked to:

- keep mileage records
- sign an agreement about the use of the car
- have use of the car put into a contract of employment.

## Are there any special rules for disabled employees?

The normal car benefit rules are adapted in various ways for disabled employees. For full details of each adaptation, click on the links on the summary online, go to [www.hmrc.gov.uk/manuals/eimanual/eim23650.htm](http://www.hmrc.gov.uk/manuals/eimanual/eim23650.htm)

## What if I am provided with free or subsidised fuel for private use?

There is an extra charge if you are provided with free or subsidised fuel for private use. You can find out how much using the website calculator online, go to [www.hmrc.gov.uk/calcs/cars.htm](http://www.hmrc.gov.uk/calcs/cars.htm)

These notes are for guidance only and reflect the position at the time of writing. Further information can be found online, go to [www.hmrc.gov.uk/cars](http://www.hmrc.gov.uk/cars)