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THE BMW GUIDE

TO COMPANY CAR TAX, AUTUMN 2025



INTRODUCTION



The 2025 Autumn Budget confirmed a new pay-per-mile tax for EVs (eVED) which, in addition to existing taxes, will apply from April 2028. The tax is equal to 3p per mile for battery electric cars and 1.5p per mile for plug-in hybrid cars, with the rates increasing annually with the Consumer Prices Index (CPI).

The tax, administered by the Driver Vehicle Licensing Association (DVLA), will also fund a further £200m for the rollout of EV charge points in England. Furthermore, consultation has been launched on permitted development rights for cross-pavement EV charging, intended to simplify and reduce the cost of securing home charging for households without driveways.

The Budget also announced a continuation of the current freeze on fuel duty until the end of August 2026 and Retail Price Index (RPI)-linked increases in Vehicle Excise Duty (VED) from April 2026. New car Fuel Benefit Charges were also announced, taking effect from 6 April 2026.

From 1 April 2025, all electric vehicles (EVs) became subject to VED, with the Expensive Car Supplement also applying to EVs costing £40,000 or more registered from 1 April 2025. From 1 April 2026, the threshold at which motorists purchasing new EVs become eligible for the VED Expensive Car Supplement increases from £40,000 to £50,000.

The Budget also announced an additional £1.3 billion of funding for the Electric Car Grant, currently £3,750 per eligible vehicle, and an extension to the scheme to enable it to run until 2029/30.

Capital allowance 'full expensing', or 100% first-year tax relief, on qualifying plant and machinery expenditure, including EV charge points (but excluding cars), due to end in March 2026, is extended until April 2027.

This BMW Guide to Company Car Tax offers explanations and guidance on developments following the 2025 Autumn Budget.

Disclaimer: The information provided in this Guide is for general information purposes only and is correct to the best of our knowledge at the time of publication (November 2025). While we have made every effort to ensure the information in this document is accurate, neither BMW (UK) Ltd nor the author can be held responsible for any actions or consequences arising from acting on, or refraining from taking any action, as a result of reading this. You should seek your own independent financial advice in relation to any taxation or accounting matters referred to in this document. Figures for fuel consumption, CO₂ emissions and energy consumption for individual models are shown for comparability purposes. These figures may not reflect real life driving results, which will depend upon a number of factors including accessories fitted (post registration), variations in weather, driving styles and vehicle load. Figures for electric vehicles and plug-in hybrid vehicles were obtained after the battery had been fully charged. Figures for plug-in hybrid vehicles were obtained using a combination of battery power and fuel. More information is available at www.BMW.co.uk and at www.vehicle-certification-agency.gov.uk. **UK model specifications may vary.**



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VEHICLE EXCISE DUTY



Vehicle Excise Duty (VED) rates for 2025/26 are shown in the table. All cars including EVs registered from 1 April 2025 priced at £40,000 or more are subject to the Expensive Car Supplement of £425 from year two for five years following the first-year rate. From April 2026, the Expensive Car Supplement threshold for EVs rises to £50,000.

› **From 1 April 2025**, EVs and cars with zero emissions of CO₂ became liable for the lowest first-year VED rate, currently £10, and annual VED at the standard rate from year two onwards.

- › **New EVs costing £40,000 or more** first registered from 1 April 2025 are liable for the Expensive Car Supplement –currently £425 on top of the standard rate for five years following the first year.
- › **From 1 April 2026** the threshold at which the Expensive Car Supplement for EVs applies is increased from £40,000 to £50,000.
- › **First-year rates** for cars emitting 1-50 g/km of CO₂, including hybrid cars, increase by the Retail Price Index from 1 April 2026.
- › **First-year rates** for cars emitting 51-75 g/km of CO₂, including hybrid cars, increase by the Retail Price Index from 1 April 2026.

VED 2025/26: for registrations after 1 April 2017

VED Band	CO ₂ emissions (g/km)	First year rate (2025/26)	Standard rate Yr2 on (under £40,000) ²
		(£)	(£)
A	0	10	195
B	1-50	110	195
C	51-75	130	195
D	76-90	270	195
E	91-100	350	195
F	101-110	390	195
G	111-130	440	195
H	131-150	540	195
I	151-170	1,360	195
J	171-190	2,190	195
K	191-225	3,300	195
L	226-255	4,680	195
M	Over 255	5,490	195

¹ In 2025/26, cars with a list price of £40,000 or over, including those with zero CO₂ tailpipe emissions when driving, pay an additional rate of £425 on top of the standard rate for five years following the first year rate, after which the rate reverts to the standard rate. 2025/26 rates apply until 1 April 2026. Diesel vehicles registered after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard will be charged a supplement on their first year rate to the effect of moving up by one VED band



COMPANY CAR TAX

Benefit-in-Kind (BIK) tax is based on a car's P11D price and CO₂ emissions, with the BIK percentage rates for all company cars shown in the table.

From 1 April 2026, BIK tax rates for cars with zero emissions of CO₂ when driving, for example EVs, rise by one percentage point a year until 2027/28. Rates for all other BIK bands rise in 1% increments in 2025/26, 2026/27 and 2027/28, capped at 37%. In 2028/29 and 2029/30, rates for zero-emission cars increase to 7% and 9% respectively.

A temporary BIK tax easement for plug-in hybrid electric vehicles (PHEVs) will apply from 1 January 2025 to 5 April 2028 to prevent their tax charge increasing significantly due to new emissions standards.

BIK tax example: a BMW 530e M Sport Plug-in Hybrid Saloon has a P11D price of £59,655*, WLTP CO₂ emissions of 58g/km and a WLTP electric-only range of 59 miles. Its BIK band for 2025/2026 is 17%. £59,655 x 17% gives a taxable value of £10,141 and yearly BIK tax of £2,028 (£169/month) for a 20% taxpayer, or £4,056 a year (£338/month) at 40%.

Taxable percentages of P11D value: 2025/26 – 2029/30

All company cars

WLTP CO ₂ emissions (g/km)	Zero CO ₂ emissions range ¹	BIK (%) 2025/2026 ²	BIK (%) 2026/2027 ²	BIK (%) 2027/2028 ²	BIK (%) 2028/2029 ²	BIK (%) 2029/2030 ²
0	All	3	4	5	7	9
1 to 50	More than 130	3	4	5	18	19
1 to 50	70-129	6	7	8	18	19
1 to 50	40-69	9	10	11	18	19
1 to 50	30-39	13	14	15	18	19
1 to 50	Less than 30	15	16	17	18	19
51 to 54	-	16	17	18	19	20
55 to 59	-	17	18	19	20	21
60 to 64	-	18	19	20	21	22
65 to 69	-	19	20	21	22	23
70 to 74	-	20	21	21	22	23
75 to 79	-	21	21	21	22	23
80 to 84	-	22	22	22	23	24
85 to 89	-	23	23	23	24	25
90 to 94	-	24	24	24	25	26
95 to 99	-	25	25	25	26	27
100 to 104	-	26	26	26	27	28
105 to 109	-	27	27	27	28	29
110 to 114	-	28	28	28	29	30
115 to 119	-	29	29	29	30	32
120 to 124	-	30	30	30	31	32
125 to 129	-	31	31	31	32	33
130 to 134	-	32	32	32	33	34
135 to 139	-	33	33	33	34	35
140 to 144	-	34	34	34	35	36
145 to 149	-	35	35	35	36	37
150 to 154	-	36	36	36	37	38
155 to 159	-	37	37	37	38	39
160+	-	37	37	37	38	39

Source: HMRC. Diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standard are subject to a 4% tax charge. Rates for fully electric cars (0g/km) rise by one percentage point each year until 2027/28. For 2028/29 rates rise by two percentage points to 7% and by a further two points to 9% in 2029/30. Rates for cars with CO₂ emissions of 1-50g/km (g/km) rise by one percentage point until 2027/2028. In 2028/29, rates rise to 18%, and 19% in 2029/30. ¹ In miles when driving. ² Rates apply until 31 March in each tax year



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CAPITAL ALLOWANCES AND LEASE RENTAL RESTRICTION

Company cars bought outright are eligible for write-down allowances, where capital outlay can be offset against tax. The allowance threshold between the 18% main and 6% special rates is based on CO₂ emissions, set at 50g/km in 2025/26. For cars with CO₂ emissions of 1-50g/km, the allowance is 18% a year, while for cars with CO₂ emissions of 51g/km or more it is 6%.

A 100% first-year capital allowance applies until 31 March 2026 for Corporation Tax and 5 April 2026 for Income Tax for cars with zero emissions of CO₂ while driving, although leasing companies are unable to claim the allowance.

Full expensing

Capital allowances based on full expensing apply until 31 March 2027 following the success of the 130% 'super deduction' introduced in 2021.

Full expensing enables businesses to deduct 100% of outright purchase expenditure from their profits before tax on new main rate equipment items – such as electric charging equipment, vans and trucks (provided the Plug-in Grant has not also been claimed) but excluding company cars.

The Government will explore extending full expensing to assets bought for leasing or hiring when fiscal conditions allow.

Lease rental restriction

Lease rentals on company cars can be offset against tax, with the threshold set at 50g/km of CO₂. New cars with CO₂ emissions of 50g/km or less are eligible for 100% of payments to be offset, while 85% is claimable for those with CO₂ emissions of 51g/km or more.



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FUEL ALLOWANCES

The employer-provided fuel for private use benefit

BIK tax is payable by drivers receiving employer-provided fuel for private mileage in a company car. To calculate it the Fuel Benefit Charge (FBC) is used – £28,200 until 6 April 2026.

Calculating tax due on employer-provided fuel for private use

A BMW 530e M Sport Plug-in Hybrid Saloon has WLTP-derived CO₂ emissions of 58g/km giving a BIK tax percentage of 17% in 2025/26.

Its WLTP combined fuel consumption is 113mpg, (2.5 litres/100km). £28,200 x 17% gives a taxable value of £4,794. Multiplying by the driver's income tax band derives annual tax of £4,794 x 20% = £959, or £4,794 x 40% = £1,918. With the average price of unleaded petrol at

£6.23/gal or £1.37/litre (November 2025), £959 will buy around 154 gallons (700 litres) for a 20% taxpayer. For a 40% taxpayer, it is around 308 gallons (1,400 litres).

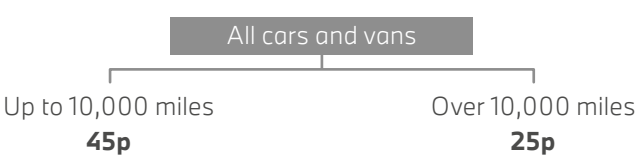
Multiplying each by the BMW X3 20 xDrive M Sport's combined consumption of 113mpg gives 17,402 miles for a 20% taxpayer, or 34,804 miles for a 40% taxpayer – the minimum private mileages you need to cover to make the 'free' fuel benefit worthwhile.

As electricity is not a fuel it has no scale charge meaning drivers of 100% electric cars currently are exempt from fuel benefit tax. However the Budget announced a new pay-per-mile tax is planned from April 2028 – 3p/mile for EVs and 1.5p/mile for plug-in hybrid vehicles.

Business mileage, private car

HMRC Approved Mileage Allowance Payments (AMAPs) – the tax and NIC-free amounts claimable by a driver using his/her own car for business mileage – are shown below for 2025/26.

AMAP reimbursement rates per mile 2025/26





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CLASS 1A NATIONAL INSURANCE CONTRIBUTIONS

Employers' National Insurance Contributions, payable by the employer on the company car benefit and employer-provided private fuel, is set at 15% of taxable from 6 April 2025. The threshold from which NICs must be paid is reduced from £9,100 to £5,000. As electricity is not classed as a fuel there is no scale charge for employer-provided electricity so employees will not be taxed on that provision and there is no Class 1A NIC to pay in 2025/26.

For plug-in hybrid cars, the zero-emission mileage the car can travel affects its taxable value and the NIC payable in the same way as for BIK tax. However, the 2024 Budget announced that in April 2028 the mileage-related scale is abolished and all cars with CO₂ emissions of 1-50g/km will have their taxable value based on a rate of 18%, rising to 19% in 2029/30.

Class 1A NIC – petrol, diesel and plug-in hybrid cars:

A BMW X3 30e xDrive M Sport Plug-in Hybrid¹, with a P11D price of £60,140* and WLTP CO₂ emissions of 69g/km, has a zero-emission range of 52 miles, giving a BIK tax percentage of 19% in 2025/26. £60,140 x 19% gives a taxable value of £11,427. Multiplying by 15% derives annual Class 1A NIC of £1,714.

Class 1A NIC – employer-provided 'free' fuel in 2025/26:

For employer-provided fuel for private use, the Government Fuel Benefit Charge of £28,200 applies until 6 April 2026. Multiplying by the BMW X3's 19% tax charge gives a taxable value of £5,358. Multiplying again by 15% gives Class 1A NIC of £804.

Click **here** for more information on car and fuel benefits.

¹ The BMW X3 30e xDrive is a Plug-in Hybrid vehicle requiring mains electricity for charging. WLTP figures are shown for comparability purposes. Only compare fuel consumption, CO₂ and electric range figures with other cars tested to the same technical procedures. These figures may not reflect real life driving results, which will depend upon a number of factors including the starting charge of the battery, accessories fitted (post-registration), variations in weather, driving styles and vehicle load.

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DRIVING IN A CLEAN AIR ZONE

Clean Air Zones (CAZ) are in place in the following cities: Bath, Birmingham, Bradford, Bristol, Portsmouth, Sheffield and Tyneside (Newcastle and Gateshead). In London, daily Congestion Charges and the Ultra Low Emission Zone (ULEZ) apply.

For information on how to check if you'll need to pay a CAZ charge and create a business account, and what support or exemptions are available, click [here](#).

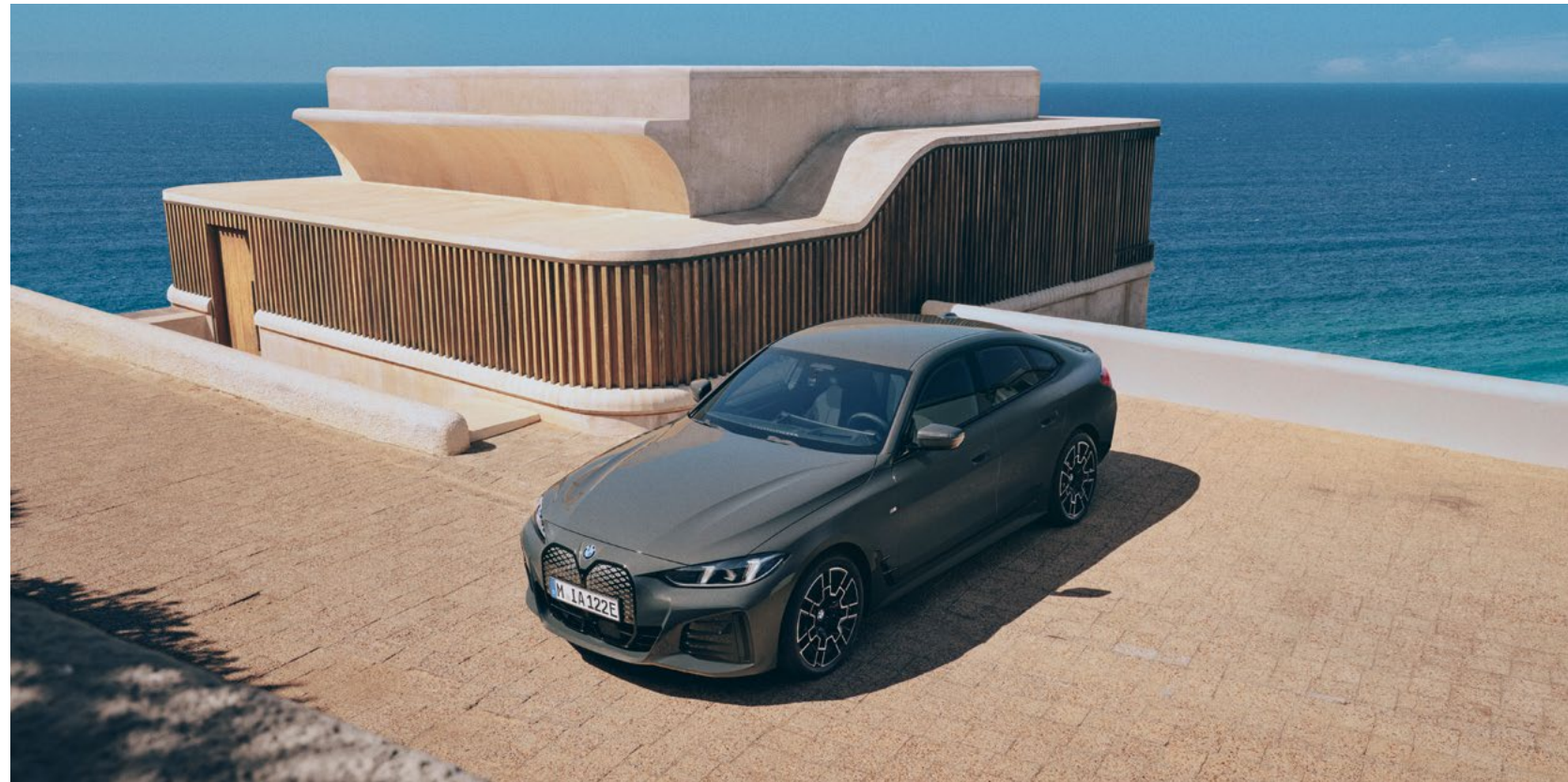
London Ultra Low Emission Zone (ULEZ)

The London Ultra Low Emission Zone (ULEZ) operates in all Boroughs 24 hours a day, seven days a week, except Christmas Day. It excludes the M25 motorway.

If your vehicle doesn't meet ULEZ emissions standards and isn't exempt, you need to pay a £12.50 daily charge to drive in the zone. This applies to cars, motorcycles, vans and specialist vehicles up to 3.5 tonnes, and minibuses up to five tonnes.

The daily ULEZ charge of £12.50 is enforced based on the declared emissions of the vehicle rather than its age. It also applies to residents of the Zone.

There is a penalty charge of £180, reduced to £90 if paid within 14 days. If you drive within the ULEZ area across two days, for example before midnight and after midnight, you need to pay two daily charges.



ULEZ minimum emission standards

Petrol vehicles: Euro 4 (NOx)

Diesel vehicles: Euro 6 (NOx and PM)

Petrol cars that meet ULEZ standards are generally those first registered as new with the DVLA after 2005, although cars that meet the standards have been available since 2001.

Diesel cars that meet ULEZ standards are generally those first registered with the DVLA as new after September 2015. For further information on the ULEZ, click [here](#)

London Congestion Charge

The London Congestion Charge is a £15 daily charge, rising to £18 on 2 January 2026, if you drive in the zone between 07:00-18:00 Monday-Friday and 12:00-18:00 on Saturday-Sunday and bank holidays. There is no charge between Christmas Day and New Year's Day.

From 25 December 2025, EVs, which currently receive a 100% discount on the charge, will become eligible for the full rate per day.

To check your car's ULEZ and Congestion Charge compliance go to <https://tfl.gov.uk/modes/driving/check-your-vehicle>

*The definition of recommended retail price includes VAT (including VAT reclaimable by a business) vehicle manufacturer or dealer's mandatory extras including delivery charges or administration fees, the battery cost (including where the battery is leased), any non-standard option fitted by the manufacturer or dealer affecting the capacity of the battery, drivetrain configuration or maximum net power, and excludes any non-standard option fitted by the manufacturer or dealer which does not affect the capacity of the battery, drivetrain configuration or maximum net power, modifications such as 'police packs', ambulance/fire engine modifications, modifications for disabled users, including WAV conversions, warranty/insurance and service packages etc, first registration fee and cost of first-year VED and any discounts (including rebates). **UK model specifications may vary.**