

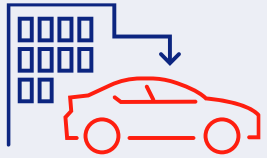


See the Benefit

Using benefit-in-kind (BiK) tax to accelerate and democratise the decarbonisation of road transport

What are company cars?

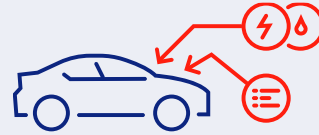
market circa 870,000 cars*



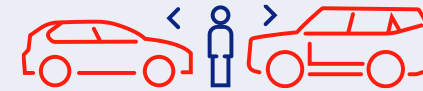
Company-provided car for business and personal use.



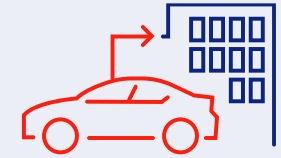
Can be business only use or business and personal. If there is personal use, benefit-in-kind tax (BiK) is paid.



Drivers typically choose from a range (specification and value) of vehicles depending on their role and seniority and wider company policy (e.g. EV only or emissions cap).



Drivers are a mix of 'job need' and 'perk' drivers. 56% are job need.



Driver returns the car if they leave the company.

What is salary sacrifice?

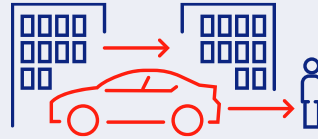
market circa 42,000 cars*



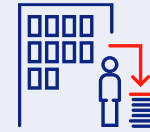
Company-wide benefit where staff give up pre-tax income to pay for a car. Employees can choose any car they wish at the price point they desire.



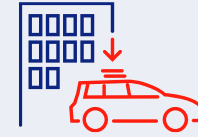
Driver pays BiK on the value of the benefit rather than income tax and NI on sacrificed income (if the car is a ULEV). Salary sacrifice can't make an employee's take-home pay fall below min. wage.



Car is lease co owned and accessed via the employer. Lease co retains the car if the employee leaves the company or the lease term ends.



Employer pays no NI on the sacrificed income but pays class1a NI on the value of the benefit.



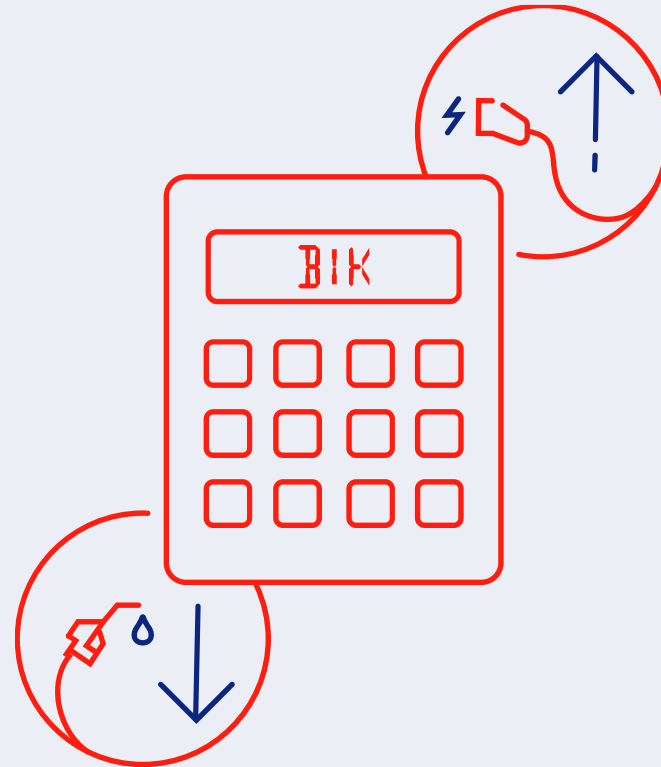
Drives recruitment and retention, by making electric vehicles accessible to those who otherwise would not have been able to afford them.

Some employers contribute through a car allowance to enable access for certain job roles.

Driving the transition

BiK is the key influence on the company car and salary sacrifice markets. The market shrank by nearly 20% from 2015/16 due to record-high BiK tax levels.

However, while the internal combustion engine (ICE) fleet has shrunk five years of low rates and tax foresight has propelled a BEV transition.

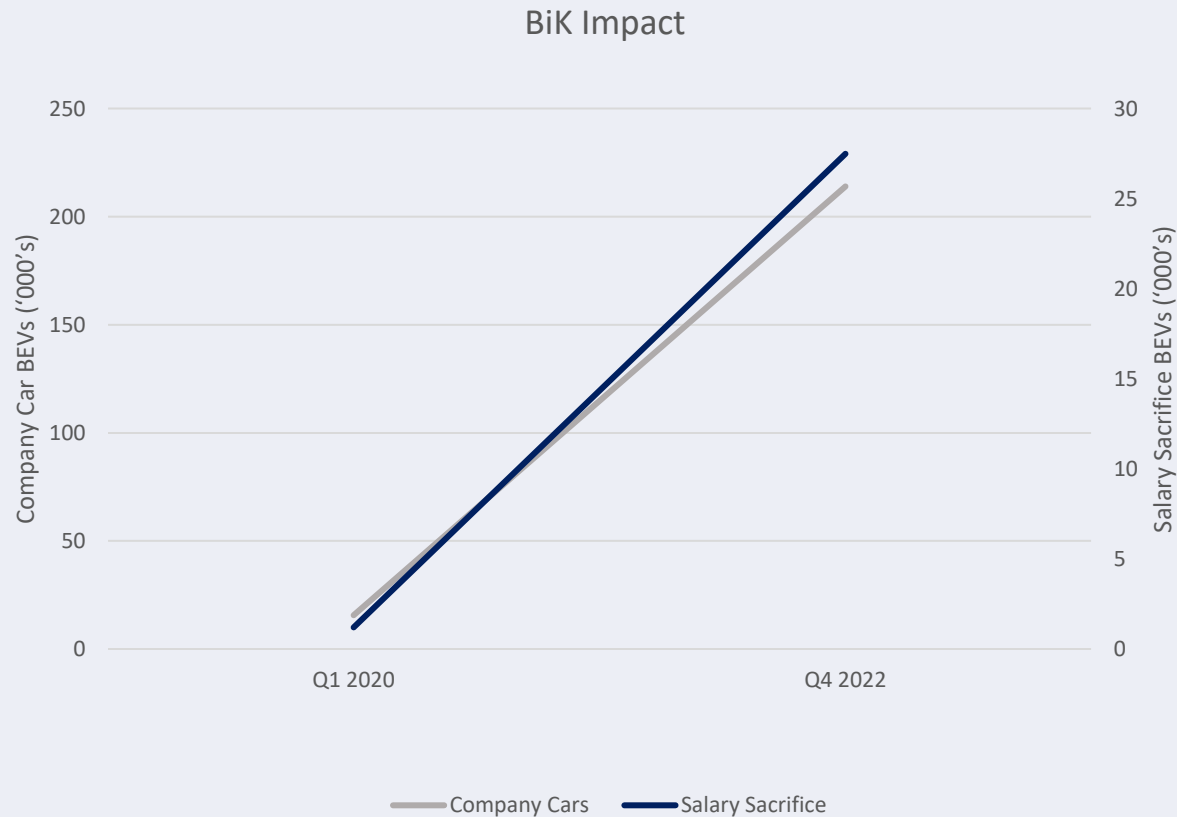


- Petrol and diesel have slumped, but **BEVs have surged** since low BiK rates arrived in 2020/21
- 90% of BEV drivers were influenced by **BiK in their decision** (41% citing this as the sole reason)*
- **Some 45% of all electric cars on UK roads (new and used) are currently registered to a leasing company.****

Scale of impact

BiK Rates for ZEVs

- 2019/20 – 16%
- 2020/21 – 0%
- 2021/22 – 1%
- 2022/23 – 2%
- 2023/24 – 2%
- 2024/25 – 2%
- 2025/26 – 3%
- 2026/27 – 4%
- 2027/28 – 5%



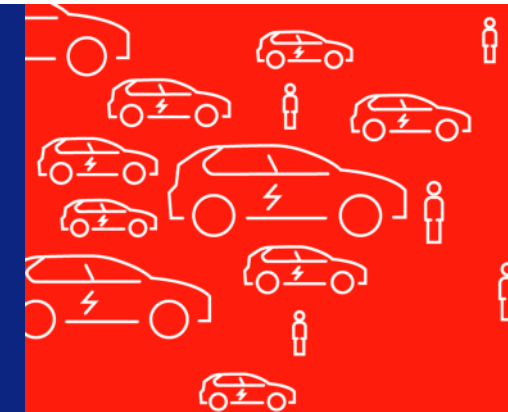
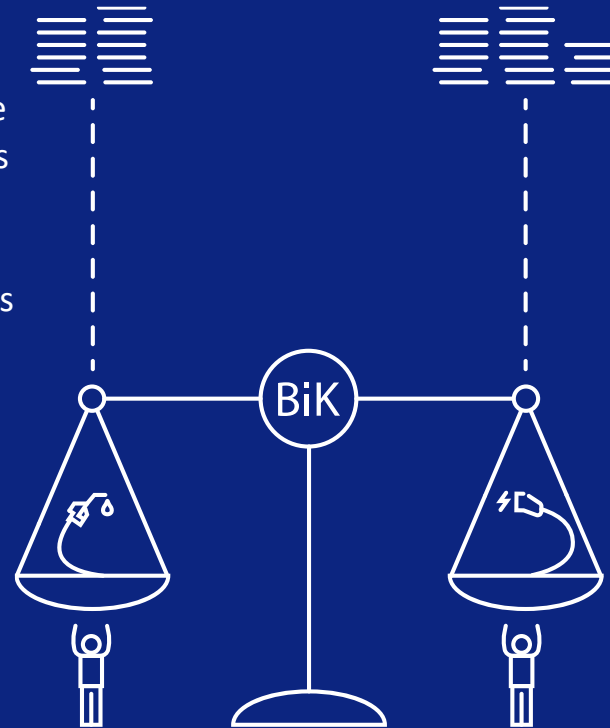
- In Q1 2020 company car fleet was 1.8% BEV (15,600). In Q4 2022 it is **26% BEV (214,000)***
- In Q1 2020 salary sacrifice fleet was 5.1% BEV (1,200). In Q4 2022 it is **65% BEV (27,500)***
- In Q4 2022 the company car new additions are **53% BEV**. Salary sacrifice is at **92%.***

The opportunity

- Cars are the **biggest contributor to road transport emissions**. 2030 Phase-out target is a massive challenge.
- The company car market renews every 3-4 years and is **set to beat the 2030 Phase Out** target.
- Salary sacrifice schemes are democratising access to BEVs by giving employees access to affordable e-mobility.

- The 200,000-500,000 cash allowance and 10-14 million grey fleet drivers typically use older higher polluting ICE cars and have no incentive to move into new BEVs – popularity of salary sacrifice is changing this.

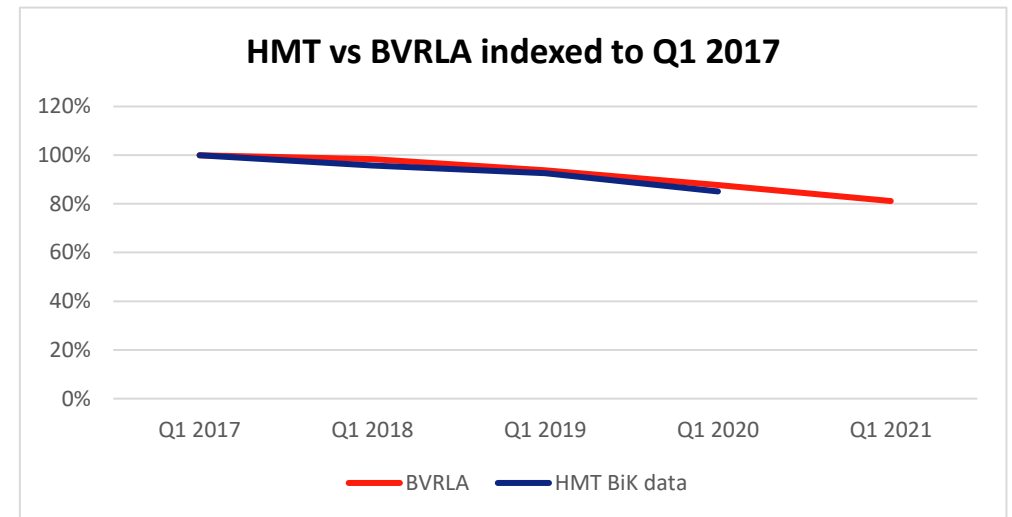
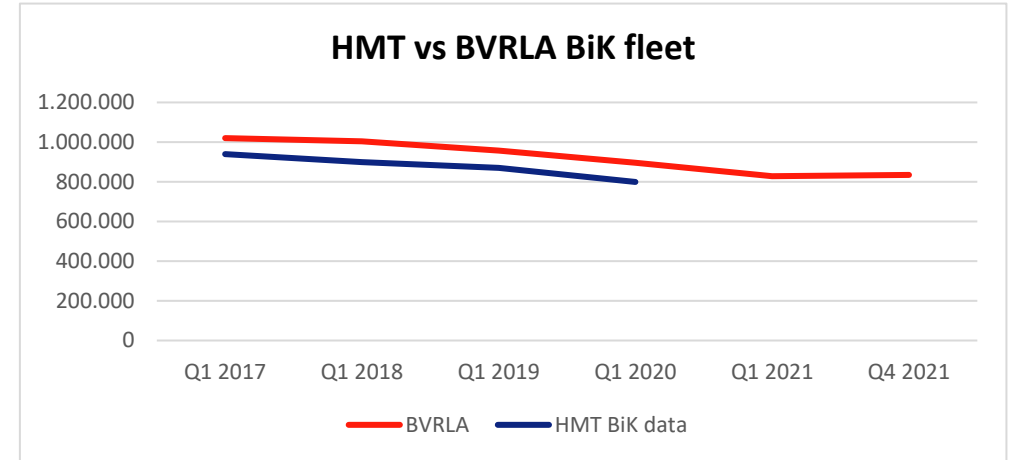
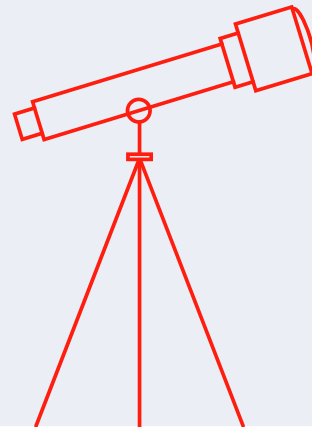
BEVs are **much more expensive** than equivalent petrol or diesel cars – **BiK brings them within reach.**



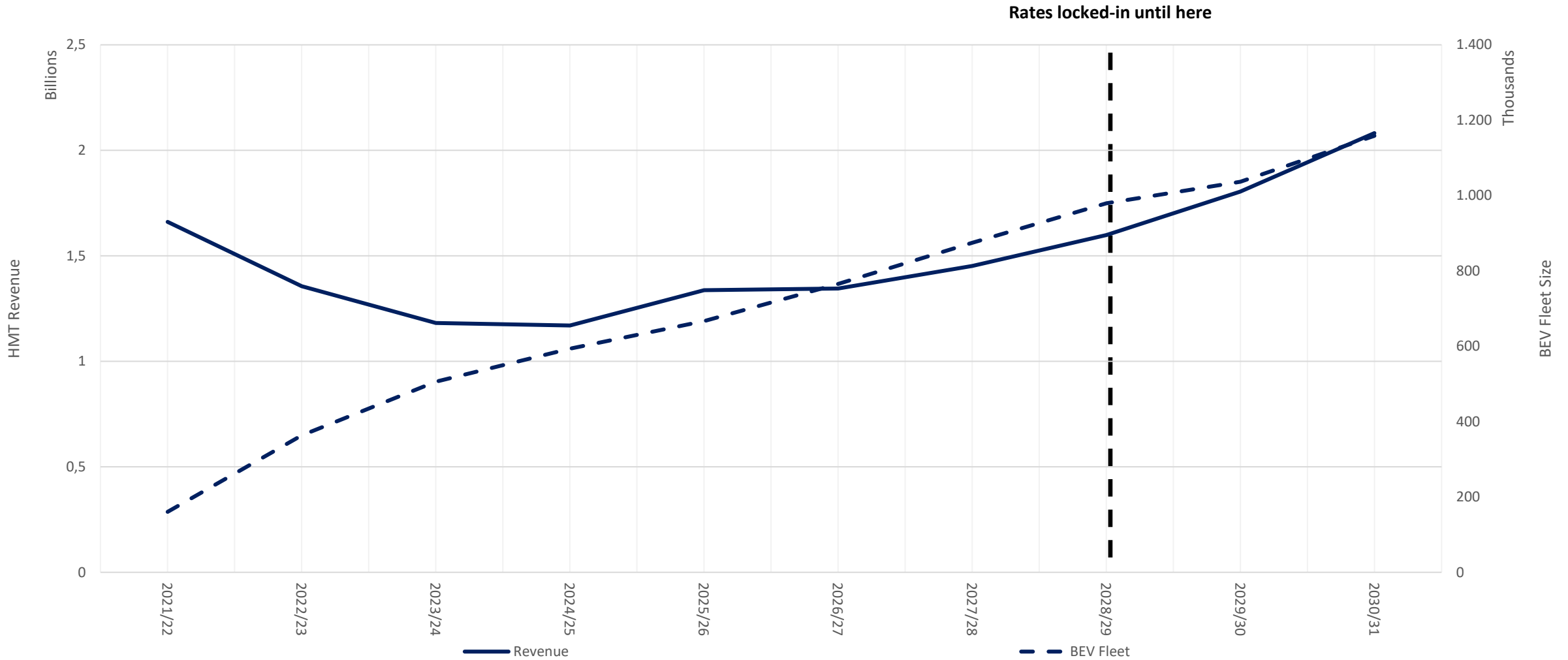
The UK used car market is many times larger than the new market. The company and salary sacrifice car market could supply **MILLIONS of affordable used BEVs** into the used market over the next decade.

BVRLA forecast – our approach

- Member data supplied was extrapolated out to the size of the BVRLA leasing parc to give a current representation of fleet composition.
- BVRLA leasing parc figures closely mirror HMRC published BiK data.
- BVRLA data suggests that the leasing parc has flatlined over 2021 halting the downwards trend. This is driven by BEV joiners matching pace with petrol and diesel leavers.
- Members used **order bank data, remaining time on current leases, lease duration demographics and historic BiK tax burden opt-out points** to create forecasts of BiK impacts on their fleet's composition and growth. This was then synthesised into the overall forecast.



Road to 2030 – BVRLA forecast



What drivers think

Lots of policy talk, now some driver perspectives.

BVRLA has gathered driver case studies and panel surveys.



Driver surveys

BVRLA commissioned 360 Media Group to conduct an online survey with 250 company car and salary sacrifice drivers.

The BVRLA also worked with a member to conduct separately the same survey of 376 BEV company car and salary sacrifice drivers.

Headlines:

90%

of BEV drivers were **influenced by BiK tax** in their final decision (41% citing that this was the sole reason)

70%

of drivers in the BEV only survey are concerned that their car **may become unaffordable**, should BiK tax rates increase

80%

of drivers entering BEVs through salary sacrifice schemes **would not have opted for an EV without the scheme***

84%

of company car drivers are **aware** of current BiK tax rules

62%

of respondents expect their **next car** ordered to be a **BEV**

For those drivers that have not chosen a BEV as their current company car, **34% cited that there were no BEV cars available on their choice list**, 29% that the BEVs they could access did not have the mileage appropriate for their usage and 23% that they were not aware of the BiK tax advantages (at the time of ordering)

88%

of drivers agree that the government should **continue to incentivise BEVs**

Of those drivers recommending a BEV (to friends or colleagues), **43% cite low BiK tax as a reason to do so**. In the BEV only survey this rises to **61%**.



Case Studies

“

At Blackcircles we have only rolled out the scheme to management team to date, but we now plan to roll out to all staff to encourage people to consider the impact on the environment of their current cars, and to make electric car ownership available to people who could not access them at the moment, due to high initial investment costs.

”



“

I would not have been able to run an electric car, due to the high retail costs v petrol/diesel cars, for the budget I had available. If the scheme has not been available I would have remained in a petrol car.

”

“

A real opportunity to drive a high quality, safe car at a really reasonable price. I would never have been able to afford my car otherwise.

”



“

I chose the VW E-Golf due to great design and the favourable BiK% was an influence. My role involves multiple short journeys throughout the day, therefore the savings on fuel combined with a positive environmental impact, meant it was the sensible choice both financially and morally.

”

Case Studies

“

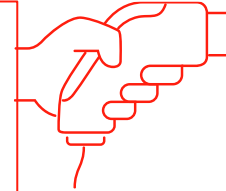
BiK rates were very important as they had a significant impact on the total monthly cost which I compared with the current running costs of my previous vehicle.

”

“

I've wanted to go fully electric for some time now... a real opportunity to drive a high quality, safe car at a really reasonable price. I would never have been able to afford my car otherwise – the kids love it too

”



“

Due to the higher costs of electric cars it would have worked out much more expensive had it not have been for the low BiK rate - I could not have afforded the car without this.

”

