

Buying and Leasing EVs through your company



Introduction

Electric cars are becoming an increasingly popular choice for individuals and businesses due to environmental benefits, lower running costs, and government incentives. This factsheet explains the key tax implications of buying or leasing an electric car in the UK for the 2025/26 tax year, with a focus on VAT, charging costs, insurance, and maintenance.

Buying an Electric Car

When buying an electric car, you can benefit from several tax advantages, particularly if you're a business owner or a higher-rate taxpayer. The main advantages are as follows:

VAT Relief

If the car is used solely for business purposes businesses can claim 100% of the VAT back.

Capital Allowances

Businesses can claim 100% first-year allowance on the purchase of a new electric car. This allows the full purchase cost of the car (up to £50,000) to be deducted from taxable profits in the year of purchase.

Benefit-in-Kind (BIK)

Employees / directors who are provided with an electric car for personal use benefit from a reduced BIK tax rate. For the 2025/26 tax year, the BIK rate for electric cars is 3% increasing to 5% in 2027/28, much lower than equivalent ICE vehicles.

Charging and running costs

The company can pay for vehicle charging, and charging point and for insurance and servicing of the car.

Leasing an Electric Car

Leasing an electric car can be a tax-efficient option for both individuals and businesses, with costs typically lower than buying outright. For example:

VAT Relief

Businesses can reclaim 50% of the VAT paid on lease payments if the car is used for business purposes. If the car is used solely for business, businesses can claim 100% VAT back.

Deducting Lease Payments

Lease payments are considered a business expense and can be deducted from taxable profits.

Lower Benefit-in-Kind

Employees / directors who lease electric cars as a company benefit will pay the lower BIK tax rate of 3%, increasing to 5% by 2027/28.

Charging and running costs

The company can pay for vehicle charging, and charging point and for insurance and servicing of the car.

Conclusion

Electric cars are a tax-efficient option for both businesses and individuals, especially with tax relief on the purchase and lower BIK rates. Whether buying or leasing, understanding the tax implications, VAT, and government incentives can help you make an informed decision. Charging costs, insurance, and maintenance can also be significant tax-deductible expenses for businesses.

Contact Parry and Parry for advice on purchasing or leasing an electric car in the most tax-efficient way.