

**SKODA**



**Guide to  
company car  
tax and VED**

The information you need to make the best possible choices

Model shown: Enyaq Coupé IVRS in Black Magic Pearl Effect

# Company Car Tax Guide

With the government keen to cut carbon emissions, the last few years have seen some significant changes to the way that company car tax is calculated. In this guide, we take a look at the implications on car choice and provide all the key information you need at a glance to help you choose the most suitable vehicle(s) for you.

And if you have any questions reading through it, don't worry, our team of experts are on hand to help.

# Contents

This disclaimer applies to all content within this publication unless otherwise specified. \*Figures for the Škoda range, including petrol/diesel and battery electric vehicles. Fuel consumption for battery electric vehicles is N/A and CO<sub>2</sub> emissions are zero while driving. Battery electric vehicles require mains electricity for charging. Figures shown are for comparability purposes; only compare fuel consumption, CO<sub>2</sub> and electric range figures with other vehicles 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 accessories fitted (post-registration), variations in weather, driving styles and vehicle load. This vehicle is a WLTP (Worldwide Harmonised Light-Duty Vehicles Test Procedure) type approved vehicle. More information is available at [www.skoda.co.uk/owners/wltp-info](http://www.skoda.co.uk/owners/wltp-info). All prices listed are Manufacturer's On the road Recommended Retail Price. Škoda may change prices at any time. Pricing valid as of 4th April 2023. On the road pricing includes 1st April 2023 VED rates. BIK rates valid as of 6th April 2023. Data correct at 17/07/2023. \*Powerpass is a service provide by the Elli Company - Volkswagen Group Charging GmbH. Customers can pick from 3 packages, charge free, Simply Charge and Charge Faster. The first 12 months are discounted on the 3 tariffs when customers purchase an Enyaq SUV and Coupé. For more details on the terms and conditions please click here. IONITY prices are subject to change in early 2023. \*Octavia PHEV is currently closed for ordering. Superb PHEV closed for ordering as of 21 April 2023.



## How company car tax works?

Have a company car which is made available for private use? Then you must pay Benefit-in-Kind (BiK) tax – also referred to as company car tax. BiK is taken from your wages via Pay As You Earn (PAYE) – just like income tax.

### How do you work out BiK?

Every car registered after 2020 has a BiK percentage banding based on a WLTP-derived CO<sub>2</sub> emission figure. The company car tax payable by an employee is based on this BiK rate, the vehicle's P11D value (that's the list price of the car including VAT, any specified optional extras and delivery charges) and your income tax rate. Wondering what WLTP is? You'll find out on the next page.

The simplest way is using our easy to use company car tax calculator. But to calculate without it, you multiply the P11D value by the BiK percentage banding. Then multiply that figure by your tax band. Here's an example.

#### For illustration only:

Model	P11D value	CO <sub>2</sub>	Tax band
Enyaq 80	£42,870	0%	2%

To work out the amount of BiK you will pay each year:

Multiply P11D value by tax band		Multiply your answer by your income tax bracket		
P11D value	Tax band	Taxable value	Income tax	Annual BiK payable
£42,870	2%	£857.40	20%	£171.48
£42,870	2%	£857.40	40%	£342.96

### Taking a car allowance instead of a company car?

Given that the amount is added to your salary, your car allowance will be taxed at your income tax rate.

### Choosing to take a company car instead of a cash allowance?

You will be taxed at either the full amount of your cash allowance, or the BiK of the company car – whichever has a higher value.

#### Clear path on the road to net zero.

Providing long term certainty for company car drivers, the Government announced in the [Autumn Statement 2022](#) that BiK tax for electric vehicles (EVs) will continue to be kept low. The rate will stay fixed at 2% until April 2025, then increase 1% annually from 2025-2028. All non EVs will also increase by 1% per annum over the same timescale.





## What does WLTP actually mean?

Back in 2017, due to evolutions in technology and driving conditions, the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) replaced the previous lab test called the New European Driving Cycle (NEDC).

### Better representing everyday driving profiles

While the old NEDC test determined test values based on a theoretical driving profile, WLTP introduced much more realistic testing conditions and driving behaviour. By reflecting the on-road performance of a car, WLTP provides a much more accurate basis for calculating a vehicle's fuel/energy consumption and emissions. Electric vehicles are also tested according to the new WLTP rules.

### RDE2 emissions testing

Running alongside the WLTP is the real-world testing procedure Real Driving Emissions step 2 (RDE2) - formerly RDE. This test measures the pollutants, such as Nitrogen Oxides (NOx), emitted by passenger vehicles during normal driving on the road. If cars get within a NOx conformity factor of 1.0 plus an error margin of 0.5 when driven on the road, they are considered RDE2 compliant.

More information can be found [here](#).

## How does this affect car choice?

Due to more rigorous testing, WLTP has resulted in a higher g/km CO<sub>2</sub> value for many conventionally fuelled cars compared to NEDC, which has resulted in an increased tax liability.\* However **drivers of 100% EVs, such as the Škoda Enyaq, are eligible for a 2% BiK rate until April 2025.** For the 2025-26 tax year, this will increase by 1% percent per year - to 3% in 2025/26, to 4% in 2026/27, and 5% in 2027/28.

\*HM Treasury Review of WLTP and vehicle taxes 2018 available [here](#).  
\*\*HM Autumn Statement 2022 available [here](#).

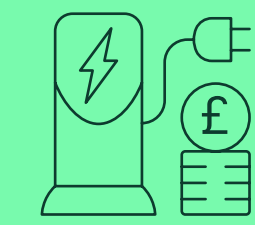




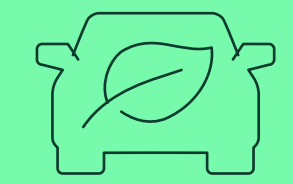
To help it achieve its target to reduce national CO<sub>2</sub> figures, the government is actively encouraging business drivers to adopt ultra-low emission vehicles with more favourable tax incentives than their petrol or diesel counterparts.

## The lower the emissions, the better

Given that BiK is based on the CO<sub>2</sub> emissions of your vehicle, current rates start at 2% for electric cars.



In the current 2023/24 tax year, **drivers of zero-emissions cars, such as the Škoda Enyaq will pay a BiK rate of just 2% of the P11D value**



Moreover, reduced BiK for electric cars, enables fleets to take advantage of **lower Class 1A National Insurance Contributions**





## Petrol and diesel company car tax

Electric and plug-in hybrid vehicles may have more favourable tax rates, but for many, petrol and diesel models still make great company cars.

But it's worth pointing out that under WLTP, cars with lower P11D values and fuel-efficient engines tend to offer the lowest company car tax liability.

- > Currently, BiK rates for petrol and RDE2 compliant diesel cars start at 22% – and rise in 1% increments to a maximum 37%.\*
- > Rates will be increased by 1% percentage point for 2025-26 up to a maximum 37% and will then be fixed in 2026-27 and 2027-28.\*\*
- > For non RDE2 compliant diesels, a 4% tax charge applies.\*\*

\* GOV.UK Guidance: Work out the appropriate percentage for company car benefits (480: Appendix 2) available [here](#).

\*\*HM Autumn Statement 2022 available [here](#).



**WHATCAR?**  
**CAR OF THE YEAR AWARDS 2023**  
 Family car  
 Best for practicality  
 Skoda Octavia

**Octavia**

**CO<sub>2</sub> (WLTP combined)<sup>2</sup>**  
 > From 110 g/km

**BiK rate 2023/24**  
 > From 27%



**WHATCAR?**  
**CAR OF THE YEAR AWARDS 2023**  
 Family SUV  
 Best for value  
 Skoda Karoq

**Karoq**

**CO<sub>2</sub> (WLTP combined)<sup>2</sup>**  
 > From 125 g/km

**BiK rate 2023/24**  
 > From 30%



**WHATCAR?**  
**CAR OF THE YEAR AWARDS 2023**  
 Executive car  
 Best for value  
 Skoda Superb

**WHATCAR?**  
**CAR OF THE YEAR AWARDS 2023**  
 Best Estate  
 Skoda Superb

**Superb**

**CO<sub>2</sub> (WLTP combined)<sup>2</sup>**  
 > From 132 g/km

**BiK rate 2023/24**  
 > From 31%

# VED car tax rates

## What is VED?

**Vehicle Excise Duty (VED) commonly known as road tax is charged annually. VED must be paid by the vehicle owner.**

Following the March Budget 2022, the standard rate of VED for cars registered after 2017 **has increased by 6%**. However, **zero-emission cars continue to be exempt from VED until April 2025\***, when they will be subject to the £165 annual charge for Vehicle Excise Duty (VED).

Plug-in-hybrids pay a **first-year rate based on emissions** and the subsequent annual charge.

You can find the VED tax bandings for every Škoda car [here](#).



**Fact:** Even if a car is exempt from VED, you do still need to apply for it on an annual [basis](#).

\*HM Autumn Statement 2022 available [here](#).



## Savings for electric vehicles

As you can see in the table, in the first year, depending on CO<sub>2</sub> emissions, the First Road Tax Payment can range between £0 for electric vehicles and £2,365 highest rate for cars with the highest emissions of 255g/km and over. Cars that don't meet RDE2 move up a band. From the second year onwards, a flat annual rate will apply. For petrol or diesel cars this is £165. You can see the [latest VED rates](#) in more detail here.

Cars with a list price of **£40,000 or more**, including any optional extras you have chosen, **must pay an additional £355 for the first five years** after the car's registration. After the sixth year, VED reverts to just the standard annual rate. **Zero emissions cars priced over £40,000 are exempt from the surcharge** until [31 March 2025](#).

CO <sub>2</sub> emissions	Diesel cars (TC49) that meet the RDE2 standard and petrol cars (TC48)	All other diesel cars (TC49)	Alternative fuel cars (TC59)
0g/km	£0	£0	£0
1 to 50g/km	£10	£30	£0
51 to 75g/km	£30	£130	£20
76 to 90g/km	£130	£165	£120
91 to 100g/km	£165	£185	£155
101 to 110g/km	£185	£210	£175
111 to 130g/km	£210	£255	£200
131 to 150g/km	£255	£645	£245
151 to 170g/km	£645	£1,040	£635
171 to 190g/km	£1,040	£1,565	£1,030
191 to 225g/km	£1,565	£2,220	£1,555
226 to 255g/km	£2,220	£2,605	£2,210
Over 255g/km	£2,605	£2,605	£2,595

## Find the VED and BiK banding of your chosen Škoda model

To configure a more detailed calculation, you can use our [company car tax calculator](#) or visit our interactive [MyŠkoda at a Glance guide](#) for more detailed trim specific figures. Below you can find the VED and starting Benefit-in-Kind rates for every model within our award-winning range.

Petrol and diesel	CO <sub>2</sub> (WLTP combined) <sup>2</sup>	VED	BiK
Škoda Fabia	From 117 g/km	From £210	From 28%
Škoda Scala	From 120 g/km	From £210	From 29%
Škoda Kamiq	From 124 g/km	From £210	From 29%
Škoda Octavia	From 110 g/km	From £185	From 27%
Škoda Karoq	From 125 g/km	From £210	From 30%
Škoda Superb	From 128 g/km	From £210	From 30%

100% electric	CO <sub>2</sub> (WLTP combined) <sup>2</sup>	VED	BiK
Škoda Enyaq iV	0	0	2%
Škoda Enyaq Coupé iV	0	0	2%







## Salary Sacrifice explained

**Salary sacrifice involves the employee giving up a portion of earnings each month in return for a non-cash benefit such as a company car from their employer.**

A salary sacrifice car is leased by the employer on behalf of the employee in exchange for a monthly payment deducted from their gross pre-tax salary – which means employees save on income tax and National Insurance contributions.

What's more, employers do not pay Class 1A contributions on the amount that the employee sacrifices.

Benefit-in-Kind (BiK) is still payable. However, the BiK rate for an electric car - fixed at 2% until April 2025 with yearly increases capped at 1% until 2028 – is lower than the rate for hybrid, petrol and diesel cars. This makes salary sacrifice one of the most cost-effective ways to drive a brand new, fully maintained electric car from the Enyaq iV range.

### How does it benefit employees?

- › One monthly payment
- › Full comprehensive insurance
- › Maintenance and servicing
- › Breakdown cover

### How does it benefit employers?

- › Can be run on a cost-neutral basis\*
- › Viewed as a valued employee benefit
- › Cuts emissions produced by your grey fleet\*
- › Gets grey fleet drivers into new, fully insured and maintained cars

\* Energy Saving Trust – A Guide to Reducing Grey Fleet Mileage, available [here](#).



## What do the changes in fleet taxation mean for vehicle choice?

**Comparing costs and emissions is the key to finding the most tax efficient options. The good news for company car drivers thinking of ordering zero emission electric vehicles is that BiK will stay at just 2% until April 2025. Currently, they are also exempt from both VED and the £355 surcharge payable on cars costing more than £40,000.**

Although the BiK is not as low as 100% electric cars, plug-in-hybrids can also help keep car tax lower than petrol or diesel.

Meanwhile, more rigorous testing of WLTP and the impact on vehicle taxation, means that diesel and petrol cars – once the automatic choice for any company car driver – no longer sit in such appealing tax bands. And although, they still have a place in many fleets, tax savings are becoming increasingly influential in the decision-making process.



## Here to help

**We hope this guide has given everything you need to know about company car tax. If you do have any further questions or would like some help to decide which vehicles are best for you, our team of Škoda experts are here to help.**

### Fleets over 50

We know that you juggle many competing needs, challenges and demands. However, we can help you balance the needs of your business and drivers, no matter your requirements.

### Fleets under 50

Whether you're starting your road to electric, scaling up your fleet or choosing one new vehicle to keep up with your changing needs, the experienced Škoda Fleet Team at our Corporate Business Centre are there to support.

Click below to get in touch. We're always happy to help.

[> Corporate Business Centre](#)

[> Request a demo](#)

### Company car drivers

Whether you'd like advice on company car choice options, need to talk to us about your vehicle requirements, or would like to book a demo, please visit your nearest Škoda retailer.

[> Your nearest Škoda retailer](#)



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