



# The Momentum of Electric Vehicles

*Is the EV finally coming of age? Should my company car be electric?  
Is the infrastructure good enough yet?*

These are all questions that are becoming increasingly common in homes and businesses up and down the country. The tax reliefs and advantageous rates are a clear attraction for the fleet and business markets and we have produced a handy flyer that summarises the key tax considerations.

## The market

Despite fully electric vehicles (EVs) only receiving a lot of media attention in the last few years, EVs have actually been around for a long time, generally achieving very moderate growth year-on-year. However, with the global focus on climate change, both from a legislative angle as well as changes in consumer behaviour, manufacturers are placing more time and investment in developing their electric ranges than ever before. Indeed, many countries around the world have pledged to be fully electric by a particular year, generally ranging between 2030 and 2045. Indeed, this led to an increase in UK registrations of 144% between 2018 and 2019. Of the total 2019 EV registrations, 56% were fleet, which may well rise as more and more employers start to offer competitive company car lease schemes, specifically for EVs, via salary sacrifice.

Roll this forward to 2020 and EVs appear to be one of the very few beneficiaries of the COVID-19 pandemic. Our current 'new way of life' lends itself very nicely to what an electric car has to offer – more of us working from home, fewer journeys, shorter journeys etc.

This, coupled with the momentum gained in 2019, has led to an increase in market share from 2.2% in September 2019 to 6.7% in September 2020. This is all despite a c.30% reduction in overall car registrations YTD and a fall in oil prices.

*Electric Vehicles have increased their market share from 2.2% in September 2019 to 6.7% in September 2020.*

So the momentum is clearly continuing and those manufacturers that began their electric journeys earlier are starting to reap the rewards. Research would suggest that consumers are still affected by 'range anxiety', but those fears are reducing with a lot of new EVs easily achieving 200+ miles per charge, and it won't be long before 300+ miles becomes the new norm. The number of charge points is increasing every year – now a common feature in car parks across the country – and with grants to cover home charging points, it is becoming much easier to imagine living with an EV. The cost of EVs is another hurdle that still exists but is shrinking as volumes increase and technology develops.

## The cost benefits for employers and employees

For employers, the electric vehicle option is fast becoming a very attractive proposition – both for large fleets and directors of small businesses.

Aside from all the environmental benefits and the positive publicity this brings, there are a number of tax reliefs that make EVs a smart choice for businesses. Of course, there is also the much-reduced running costs, especially when charging at a home or office location.

For a start, there is no benefit in kind (BIK) on pure EVs for 2020/21 and this is only rising to 2% by 2022/23. There is also no fuel benefit where the employer pays the charging costs of the EV. On top of this, the employer is entitled to 100% capital allowance on the EV in the year of purchase, giving a significant tax cash flow saving.

So, for example, if you are a company director who enjoys performance cars, then a Porsche Taycan bought in the tax year 2020/21 with a list price of say £100,000, would provide a corporation tax saving in year 1 of £19,000 and attract zero BIK. If you compare this with a petrol or diesel car of the same price, the BIK tax & NI cost (higher rate) is likely to be around £15,000 and would only give a corporation tax saving of around £1,000. So that's a total tax and cash saving of £33,000 in year 1. Some of this saving is tax timing differences, but the overall benefits are clear to see.

So there's two obvious options that are attractive:

1. Save significant amounts of personal and corporate tax by switching to electric at a similar list price, or
2. Upgrade a company car to a higher list price at little or no extra overall cost.

*Carpenter Box can help your business with these calculations. Please feel free to get in touch with our specialist motor retail team on 01903 234094.*

## Example: Porsche Taycan

A great example of this is the Porsche Taycan. Thanks to Porsche Centre Mid-Sussex, I was able to experience their electric offering first-hand to give me a glimpse of how far we have come and the practicalities of owning an EV.

Clearly the Porsche Taycan is at the high end of the EV market, but as demonstrated above, could realistically be affordable to a wider range of businesses and tempting to those who are currently suffering heavy BIKs for their performance company cars. For example, the BMW 530d is a popular company car (approx. £50k list price), but the additional cost of upgrading to an £80k or even £100k EV, is not significant and therefore becomes a real option.

First impressions of the Porsche Taycan 4S didn't disappoint – as you might expect the exterior is stunning, but the interior is equally thought provoking. The cabin is incredibly refined yet simplistic, and when the power is switched on you are met with an array of touch-screens, with one for the passenger! Unsurprisingly, the driving experience and performance of the Taycan was sensational – despite the lack of gears and engine noise, it still felt like a Porsche.

It was a lot of fun to drive, whilst also feeling sensible as an 'everyday' car. The acceleration is an experience in itself and I was only in the 4S model – the Turbo S is over a second quicker to 60mph – quite simply not usually achievable outside of 'supercar' territory.

In terms of range, it should achieve 200 miles per full charge. I had the car for 3 days, covering approximately 150 miles, and whilst I was very aware of the range, at no point did 'range anxiety' take hold. The stated range appeared accurate throughout and the navigation offered to locate charging stations in good time, which gives you confidence as the driver that you are in control.

The other surprising element of the Taycan was the rear boot space – at 407 litres, it can even fit the golf clubs!

In most other areas, practically, it was very similar to an ICE vehicle which is probably the most significant aspect because it shows how viable an alternative this car is to a 'regular' Porsche. Clearly there is more to consider over a longer time-frame of ownership and for longer journeys, but the charging infrastructure appears to provide a solution to most journeys.

**If this is Porsche's first attempt at an EV, it's exciting where this could lead in the future.**

## The products

New ranges of electric vehicles are being released all the time, with performance and battery figures improving all the time, as manufacturers compete to increase their share of this rapidly growing market. This fierce competition drives a significant rate of improvement and development – consequently, electric cars are already viable alternatives when comparing with internal combustion engines (ICEs). The technology and features within EVs are very exciting and forward-thinking, whilst some of the performance figures are mind-blowing.

## So what's the answer?

Ignoring the refinement and performance of the Taycan, it's still clear that a modern EV is fast becoming a viable option to more and more drivers and businesses. The current battery technology across the market is ample for most journeys and this will only improve further. The majority of charging can be done at home or office for a fraction of the cost of an ICE vehicle and the tax reliefs and beneficial rates make it very attractive for businesses.

It's important to remember that we aren't really at the start of this journey – the electric market has been evolving for some time and driver confidence is now catching up. The market is suggesting that electric is the way forward with 184% increase in registrations in September 2020, and that now is the time to start making those decisions – there has certainly never been a better time to go electric.

For the first time, I am now seriously considering an EV as my next car, which as a self-confessed petrol-head, is a big statement! It is a lot earlier than I thought I would be considering this option and I suspect I'm not alone.

**Please feel free to get in touch if you are considering EVs in your business and you need some help crunching the numbers.**

## Find out more

**T:** 01903 234 094

**E:** [info@carpenterbox.com](mailto:info@carpenterbox.com)

**www:** [www.carpenterbox.com](http://www.carpenterbox.com)



## Key contacts



**Chris Reeves**

Partner, Head of Motor Retail

**E:** [chris.reeves@carpenterbox.com](mailto:chris.reeves@carpenterbox.com)



**Andrew Neuman**

Client Service Director

**E:** [andrew.neuman@carpenterbox.com](mailto:andrew.neuman@carpenterbox.com)

