

## Helpful Terms

### Benefit in Kind (BIK) Rates

Employees or their family that use a company vehicle for personal use are required to pay a tax referred to as a BIK tax. Company cars fall into different bands and tax rates determined by the vehicles CO2 emissions and when it was first registered. The less CO2 emission the lower the tax, the higher the CO2 emission the higher the BIK tax rate.

### Personal Income Tax Rate

For employees paying a company car tax, their income tax band is also factored into how much they must pay. The income tax bands are 20%, 40% or 45% for residents of England and Wales. Or multiplied by 19%, 20%, 21%, 41% or 46% for residents of Scotland.

### P11D Value

The P11D value is the value of a company car according to HMRC calculations. This value is the sum of the vehicle's list price and extra costs (excluding road tax or first-year registration fees) multiplied by the BiK band percentage. The amount paid is that sum multiplied by the employees income tax band.

## How to Calculate Car Tax

Employers are required to provide their employees with a copy of the P11D form by July 6, following the end of the tax year.

Employees are suggested to keep track of car related forms as they may be needed to complete a tax return or to claim a repayment of tax.

The amount of tax on company vehicles an employee pays depends on:

1. The employees income tax band
2. The vehicle's CO2 emissions
3. List price of the vehicle, cost of delivery, VAT and any optional extras
4. What type of fuel the vehicle takes
5. How often the employee uses the vehicle

### How it works:

The company car tax is calculated by determining the P11D value. This value is multiplied by the BiK band percentage. The total amount paid is that sum multiplied by the employees income tax band..

**The calculations of company car tax follows this equation:**

**$((\text{P11D value}) \times (\text{BiK band})) \times (\text{tax bracket})$**

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