01 / START WITH THE WHOLE COST

Company car or personal car?

Who pays, what you can claim and why the cheapest tax bill is not always the cheapest car.

There are two main routes for a company owner. **Neither is automatically best.** The car, your mileage, your personal tax rate and the money needed upfront can change the answer.

What are you actually choosing?

Personal car	Company car
You buy or lease it in your own name.	The company buys or leases it.
The company can reimburse qualifying business mileage.	The company pays its costs; private availability usually creates a personal tax charge.
You bear the remaining private costs.	The company also normally pays employer National Insurance on the car benefit.

A company car includes a car the company leases. Simply paying your own car bill from the company bank does not turn it into a properly arranged company car.

THE THREE NUMBERS TO COMPARE

01 Company cost

Payments, recoverable VAT and company tax relief.

02 Your personal cost

Tax on the benefit, or costs you pay yourself.

03 Cost over the whole deal

Include initial payments, interest, insurance, running costs and the value left at the end.

A USEFUL STARTING POINT

Already have a suitable personal car and do lots of business miles? Mileage reimbursement may be attractive. Considering an electric car? A company arrangement is worth modelling, but compare the full price and cash flow first.

Scope: UK limited-company owners/directors, ordinary cars and 2026/27 rules. Vans, double-cab pickups and salary-sacrifice arrangements need separate checks. A sole trader cannot provide themselves with a company-car benefit in the same way.

CHECK THE RULES Company-car tax · 2026 mileage change · Corporation Tax rates · VAT on motoring

02 / YOUR OWN CAR

Business mileage, paid back to you.

The mileage payment covers the car's running and ownership costs. It is not just a fuel allowance.

The 2026/27 approved rates

Business miles in the tax year	Car / van rate
First 10,000 miles	55p per mile
Above 10,000 miles	25p per mile

These rates apply to a qualifying personally owned or leased car, including an electric car. They are **not** the rates for a company car.

Keep a simple journey log

Record the date, start and destination, business purpose and miles. Genuine client visits can qualify. Your normal home-to-permanent-workplace commute does not. Temporary-workplace rules need a check.

Do not add petrol, repairs, insurance or lease payments on top of the approved mileage amount as another tax-free claim. Qualifying parking and tolls can be reimbursed separately.

WORKED EXAMPLE: 8,000 BUSINESS MILES

8,000 × 55p = £4,400

The company pays you £4,400 tax-free, within the approved rules.

£1,100 company tax saving

At an assumed 25% Corporation Tax saving, the company's after-tax cost is £3,300.

You still fund the car.

The £4,400 is reimbursement towards your costs, not a refund of the car's purchase price.

MORE MILES?

12,000 business miles = £5,500 for the first 10,000 + £500 for the next 2,000. **Total approved payment: £6,000.**

PAID LESS THAN THE APPROVED AMOUNT?

If the company pays £3,600 for those 8,000 miles, the shortfall is £800. At 20% tax, eligible Mileage Allowance Relief saves **£160**, not £800.

VAT is separate: a VAT-registered company may reclaim VAT on the eligible fuel element with the right evidence, not on the whole mileage payment. Payments above the approved amount need tax and NI checks; the rules are not identical.

CHECK THE RULES Personal-car mileage · 2026 mileage change · VAT on motoring · Income Tax rates

03 / A COMPANY CAR

The benefit is the use of the car.

You can pay personal tax even though the company owns the car and no extra cash reaches your bank.

A **benefit in kind (BIK)** is a non-cash employment benefit. Its taxable value affects your Income Tax. For a company car, start with its original list price, including VAT and taxable accessories, then apply the car's percentage. A discount or second-hand purchase price does not normally replace that list price.

Full-year example: £40,000 list price	Electric car at 4%	Illustrative petrol car at 30%
Taxable car benefit	**£1,600**	**£12,000**
Your Income Tax if all the benefit falls at 20%	£320	£2,400
Your Income Tax if all the benefit falls at 40%	£640	£4,800
Company's Class 1A National Insurance at 15%	£240	£1,800

Assumes the car is available all year, with no employee contribution or other adjustment. The petrol rate is an illustration, not the rate for every petrol car. Scottish rates, other income and allowance withdrawal can change personal tax.

Private use is wider than weekends

Ordinary commuting is private use. The charge usually arises when private use is **available**, even if you make few private journeys. You do not normally cut the benefit by your business-mileage percentage.

Hybrids need their own CO_2 and electric-range check. A car shared by staff is not automatically an exempt pool car.

PLAN BEYOND YEAR ONE

The fully electric car percentage is **4% in 2026/27, 5% in 2027/28, 7% in 2028/29 and 9% in 2029/30**. The personal tax charge can therefore rise.

Fuel, charging and reporting

Company-paid private petrol or diesel can create a **separate fuel benefit**. Partial repayment of private fuel may not remove it. Check before using a company fuel card.

Reimbursement of evidenced electricity used only to charge the company electric car can be exempt, including its private use. That does not cover the whole household electricity bill.

For business mileage in a company car, use the applicable fuel/electricity reimbursement rules, not 55p/25p. Send SBX the car details and availability dates so the benefit is reported correctly.

CHECK THE RULES Company-car tax · Company-car rates to 2027/28 · Company-car rates to 2029/30 · 2026/27 payroll rates · Company-car charging costs

04 / BUYING, LEASING AND VAT

A tax deduction is not money back in full.

The purchase, the lease payments and the VAT each have their own rules.

If the company buys

Buying a car usually brings **capital allowances**: tax deductions for the asset, rather than simply deducting its full purchase price as an everyday expense.

Car bought now	Typical tax allowance
New and unused, zero emissions	100% first-year relief if eligible
Second-hand electric, or emissions up to 50g/km	14% main-pool rate
Emissions above 50g/km	6% special-pool rate

New electric-car first-year relief currently covers qualifying company expenditure up to 31 March 2027. The 14% rate starts 1 April 2026 for companies; straddling periods use a blended rate. Pool deductions are on reducing balances.

Cars do not qualify for the general Annual Investment Allowance or full expensing. Hire purchase and other finance arrangements need the correct treatment; repaying loan principal is not itself a tax deduction.

If the company leases

The cost is generally relieved over the lease rather than through car purchase allowances. For many cars above 50g/km, **15% of the lease deduction is disallowed** for tax. That is separate from VAT.

EXAMPLE: £500 + £100 VAT PER MONTH

Where private use is allowed, normally only **£50 of the £100 lease VAT** is recoverable. The company's cost before Corporation Tax relief is **£550**, assuming normal VAT recovery.

On a car purchase, VAT is normally blocked if private use is available, **even on an electric car**. Business-only and certain trade exceptions have strict conditions.

Separately identified maintenance may have different VAT recovery. A second-hand margin-scheme invoice has no separately reclaimable VAT.

WHAT 100% RELIEF REALLY MEANS

A qualifying £40,000 new electric car may produce a £40,000 tax deduction. At an assumed 25% saving, that is **£10,000 less Corporation Tax**, not a £40,000 refund. You still fund the car, running costs and any benefit charges. A later sale can affect allowances.

Keep road tax, insurance, finance fees and resale value in your budget. Electric cars are no longer automatically free of vehicle tax. Relief also depends on the company's tax position and the timing of the expenditure.

CHECK THE RULES Car capital allowances · New electric-car first-year relief · VAT on motoring · Car lease restriction · Electric-car vehicle tax

05 / COMPARE THE TWO ROUTES

One car. Two different cost calculations.

This one-year illustration keeps the owner's and the company's costs separate, then combines them.

Same hypothetical electric car: £40,000 list price; lease £500 + £100 VAT monthly; £1,800 annual running costs; 8,000 business miles. The car is available all year. No initial rental, deposit or additional fee in this simplified example.

Annual cost	Personal lease + mileage	Company lease
Lease cash paid	£7,200	£7,200
Less recoverable lease VAT	£0	£600
Running costs, after any VAT recovery	£1,800	£1,800
Employer NI on car benefit	£0	£240
Company's expense before tax relief	£4,400 mileage payment	£8,640 car costs
Company's cost after 25% tax relief	**£3,300**	**£6,480**
Your remaining cost	£4,600 costs after mileage	£640 tax on car benefit
Combined owner + company cost	**£7,900**	**£7,120**

Assumptions: one owner; all the car benefit taxed at 40%; 50% lease VAT recovery for the company; no mileage VAT claim included; 25% tax relief on all deductible costs including employer NI. Running costs are equal after any other VAT recovery. No further tax is included for extracting company money to fund your personal costs. Real quotes, payment timing and accounting can differ.

What this tells you

The company route is **£780 cheaper in this illustration**, not automatically for your car. Funding personal costs from extra salary/dividends can change the comparison further. A cheaper existing personal car could change it the other way.

Send us the quote before you sign

Send the purchase or full lease quote, original list price, new/used status, CO_2 and electric range, mileage estimate, private use, charging arrangements and how you would fund it. We compare the whole deal, not just one tax percentage.

Contact our office or your account manager.
info@sbxaccountants.com | 020 7046 1730

CHECK THE RULES VAT on motoring · 2026 mileage change · Company-car rates to 2027/28 · 2026/27 payroll rates · Corporation Tax rates