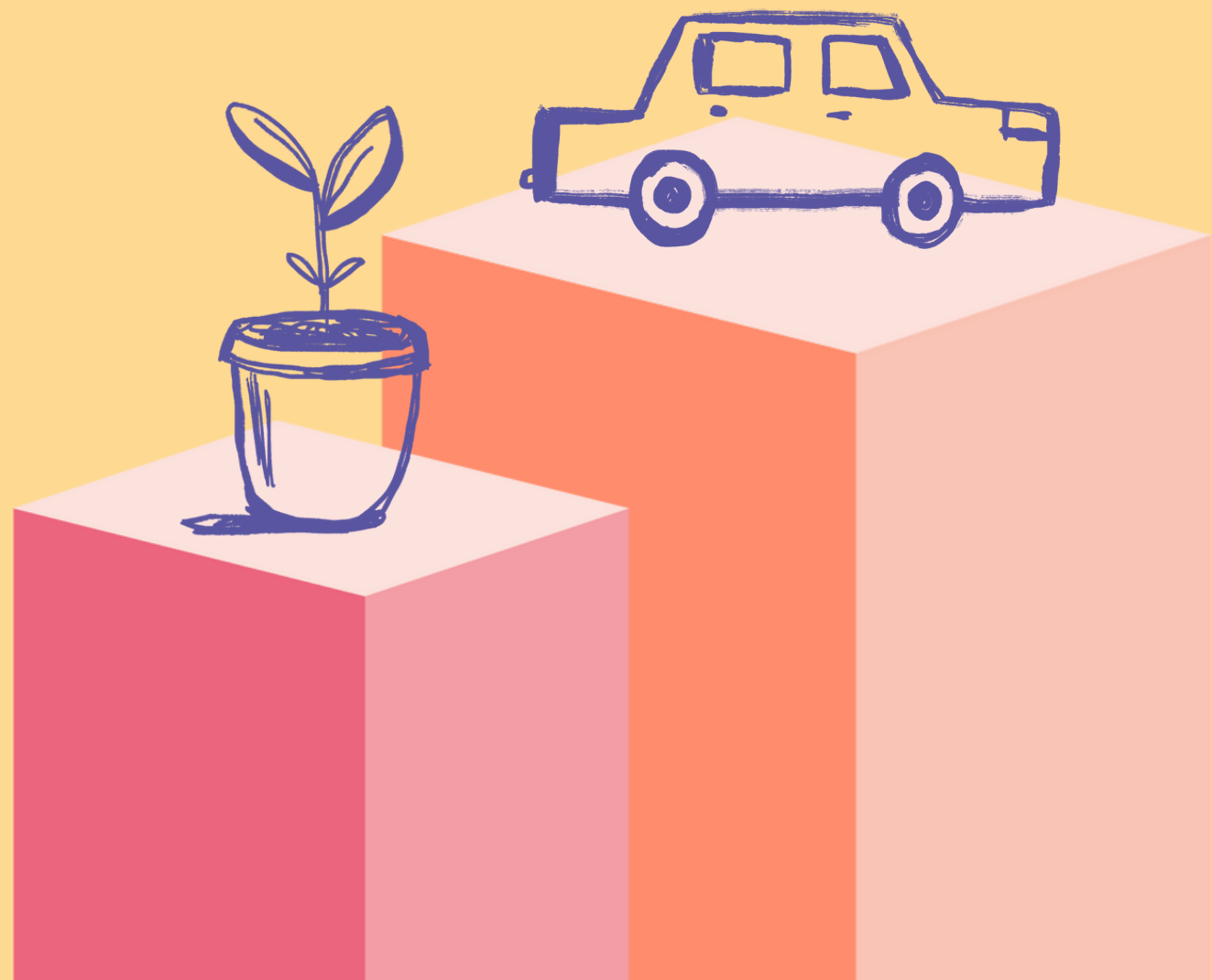


VAT and Electric Vehicles



Purchases

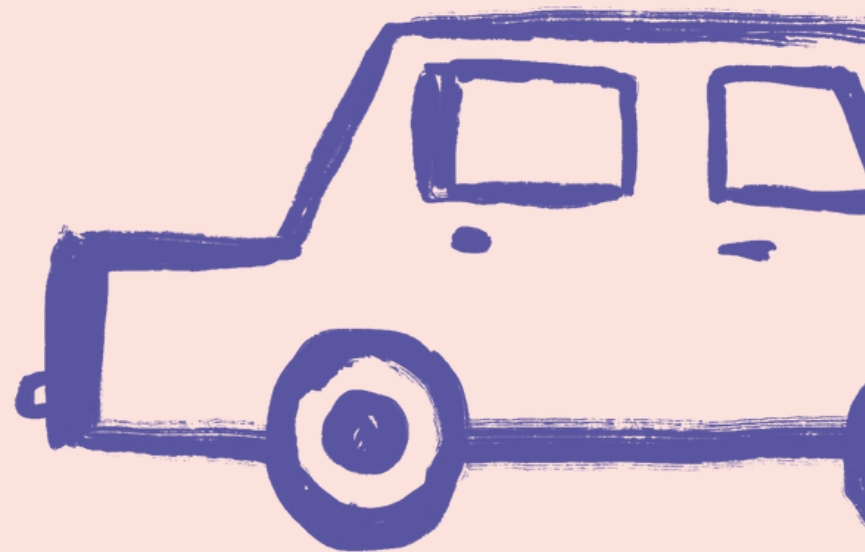
Contrary to popular belief, there is no difference (in HMRC's eyes) between a petrol car and electric car, as VAT at 20% is chargeable on both types of vehicles from new. In line with the general rule, VAT on cars cannot be recovered if there is an element of 'private use'.

However, if the car is used wholly for a 'business purpose' (i.e. it is a 'pool car'), or it is a commercial vehicle, the VAT can be recovered in full (subject to the partial exemption status of the business).



Lease cars

An often-overlooked aspect is that VAT on lease cars (with an element of private use) is only recoverable at 50% (subject to the partial exemption status of the business). This is no different for electric cars. VAT incurred on lease cars which are used for a wholly business purpose/commercial vehicles is recoverable in full (subject to the normal rules).



Infrastructure costs

VAT which is incurred on the costs of installing electric charging points (and the associated engineering works), is potentially fully recoverable (under the normal rules), provided that the charging points are for business use only (i.e. installed at the office/business premises).

As such, if the business pays for the installation of an electric charging point at an employees' home, the VAT incurred is irrecoverable.



Ongoing usage/servicing costs

Generally, businesses can recover input VAT on all business-related overhead/maintenance costs (such as car repairs even when the VAT was not recoverable on the vehicle itself).



Charging

The VAT treatment of supplies of electricity for electric vehicle charging was previously unclear, however HMRC Revenue & Customs Brief 7 (25 May 2021) has now clarified the position;

- Supplies of vehicle charging in public places are standard rated at 20%.
- Input tax may be recovered on the 'business' proportion of electricity used for the home charging of a sole proprietor's eclectic vehicle (input tax is potentially recoverable in full if charged elsewhere and supported by a VAT receipt).
- Businesses may not recover VAT incurred on home charging by employees (even where there is an element of business use).
- Businesses are entitled to recover input VAT in full on supplies of electricity used to charge employees' vehicles at work. However, there would be a liability to account for output tax on any private use of the electricity/private miles undertaken on that charge as a 'deemed supply' or undertake an initial apportionment to only recover VAT on the business element (this would require detailed mileage logs to be kept).



Get in touch

If you would like to discuss any of these aspects further, please contact myself or Alan Davis directly.

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