Tax Guide 2026/27

A summary of the key taxation facts

Updated post Autumn Budget 2026

LEX AUTOLEASE

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About us

The Chancellor delivered the Autumn Budget on 28 October 2026. The Lex Autolease Fleet Consultancy Team has analysed the contents and has summarised the implications for fleets and company motorists.

We have included the main personal and corporate tax rates in this interactive guide, we hope you find them useful. Lloyds Transport manages approximately 388,087* cars and vans on behalf of its customers and offers a full range of fleet funding options including Contract Hire, Contract Purchase and Finance Lease.

Lex Autolease Fleet Consultancy incorporates a specialist consultancy unit to help organisations gain greater value for their company vehicles. It specialises in conducting focused assessments of larger fleets to identify cost saving opportunities, performance improvement options and strategies for future car benefit and van provision.

Lex Autolease prides itself on bringing fresh ideas to organisations and helping them implement programmes to realise the benefits.

For more information:

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The tax values shown are based on tax legislation and rates as well as published vehicle information applicable at the time of publication and may be subject to change.

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* Figure as at November 2026
www.fleetnews.co.uk/fleet-leasing/fn50-data/

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Company car taxation

Under 75 g/km

CO_2 emissions sub 75 g/km	Electric range (miles)	Percentage of Taxable list price				
		2026/27	2027/28	2028/29	2029/30	2030/31
0		4	5	7	9	10
1 – 50	≥130	4	5	18	19	20
1 – 50	70 – 129	7	8	18	19	20
1 – 50	40 – 69	10	11	18	19	20
1 – 50	30 – 39	14	15	18	19	20
1 – 50	<30	16	17	18	19	20
51 – 54		17	18	19	20	21
55 – 59		18	19	20	21	22
60 – 64		19	20	21	22	23
65 – 69		20	21	22	23	24
70 – 74		21	21	22	23	24

New European Driving Cycle (NEDC) test procedure CO_2 values to be used for vehicles registered before 6 April 2020.

Plug in hybrid electric vehicles (PHEV) easement - A temporary BIK tax easement for impacted PHEVs will apply for cars registered from January 1, 2025, to April 5, 2028.

During the easement period, the CO2 emission figure for those PHEVs will be deemed to be a nominal figure of 1g/km for the purposes of the BIK charge rather than the CO2 figure on the registration document.

The conditions that a vehicle must satisfy to be eligible for the easement can be found at Plug-in hybrid electric vehicles — benefits in kind easement - GOV.UK

75 g/km or over

CO_2 emissions 75 g/km +	Percentage of Taxable list price*				
	2026/27	2027/28	2028/29	2029/30	2030/31
75 – 79	21	21	22	23	24
80 – 84	22	22	23	24	25
85 – 89	23	23	24	25	26
90 – 94	24	24	25	26	27
95 – 99	25	25	26	27	28
100 – 104	26	26	27	28	29
105 – 109	27	27	28	29	30
110 – 114	28	28	29	30	31
115 – 119	29	29	30	31	32
120 – 124	30	30	31	32	33
125 – 129	31	31	32	33	34
130 – 134	32	32	33	34	35
135 – 139	33	33	34	35	36
140 – 144	34	34	35	36	37
145 – 149	35	35	36	37	38
150 – 154	36	36	37	38	39
155 and over	37	37	38	39	40

Diesel supplements: *add 4% for all cars not meeting Real Driving Emissions 2 standard (RDE2) subject to a maximum charge of 37% up to 2027/28 and 40% up to 2030/2031.

New European Driving Cycle (NEDC) test procedure CO_2 values to be used for vehicles registered before 6 April 2020.

Cars that meet the RDE2 standard are exempt from the diesel supplement.

For new leases/arrangements from 6th April 2025 double cab pick-up vehicles (DCPUs) with a payload of one tonne or more will be subject to company car (not van) taxation.

For full details see https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23151

Car benefit charge

Since 6 April 2017, the benefit in kind on salary sacrifice cars, as well as company car schemes where a cash alternative is available, is based on the higher of the earnings foregone or the company car benefit in kind.

The calculation for a car benefit charge due is as follows:

Step 1

a) Calculate company car benefit in kind – Taxable list price (plus the price of any accessories) and multiply by the appropriate percentage based on CO_2 emissions (used in the table). Adjust for any periods where the car is not available.

b) Obtain annual earnings foregone*, making any deductions for trade downs.

c) Compare a and b and select the highest figure to move to step 2.

Step 2

Take the highest figure from step 1, and deduct:

a) Contributions made by the driver for the private use of the car; and

b) Capital contributions by the employee multiplied by the appropriate percentage based on CO_2 emissions (used in the table).

Where a cash alternative is not available, or for arrangements entered into since 6 April 2017 relating to Ultra Low Emission Vehicles, currently defined as vehicles emitting 75g/km CO_2 or less, perform all the above steps except for 1b and 1c.

* The amount of earnings foregone in a company car arrangement is the gross salary sacrifice value/cash alternative available for your grade.

Mileage rates

Advisory Electricity Rate	Amount per mile*
Fully electric cars - Home charging	7p
Fully electric cars - Public charging	15p

Company car advisory reimbursement rates (pence per mile*)

Engine size	Petrol amount per mile	Diesel amount per mile	LPG amount per mile
1,400cc or less	14p	15p	11p
1,401cc to 1,600cc	17p	15p	13p
1,601cc to 2,000cc	17p	16p	13p
Over 2,000cc	27p	22p	20p

*Effective 1 September 2026

The rates are reviewed four times a year. Any changes will take effect at the beginning of each calendar quarter on 1 March, 1 June, 1 September and 1 December. These will be published on the HM Revenue & Customs (HMRC) website shortly before the date of change.

Hybrid cars are treated as either petrol or diesel cars for this purpose.

https://www.gov.uk/guidance/advisory-fuel-rates

Approved mileage rates for private cars and vans (pence per mile)

Engine size	Up to 10,000 miles	Excess over 10,000 miles
All cars and vans	55p	35p

Company car private fuel

The Fuel Benefit Charge (FBC) multiplier for private fuel provided for company cars is £29,200 and £30,200 for 2026/27 and 2027/28 respectively.

The Fuel Benefit Charge is calculated by applying the appropriate percentage, as per the calculation for the company car benefit charge, to the FBC.

The Budget announced that it will increase by Consumer Price Index going forward.

Electricity is not considered to be a fuel for car fuel benefit purposes.

Value Added Tax (VAT)

Value Added Tax (VAT)	2025/26 & 2026/27
Standard rate	20%

Insurance Premium Tax

Insurance Premium Tax	2025/26 & 2026/27
Standard rate	12%
Higher rate	20%

Capital allowances

Vehicle type	CO_2 emissions (g/km)	2026/27	2027/28
Car	0	100%	100%
	1-50	14%	12%
	51 and above	6%	6%
Commercial (Purchased)	Any CO_2	100%	100%
Commercial (Leased)	Any CO_2	40%	50%

Businesses can claim a 100% first year allowance for new and unused electric cars with zero CO_2 emissions, as specified above (does not include expenditure on vehicles for leasing).

Businesses will be able to write off ("fully expense") the full cost of qualifying main rate plant and machinery investment in the year of investment. This does not currently apply to cars or assets which are leased (i.e. only for commercial vehicles that have been purchased).

With effect from April 2027, businesses will be able to claim a first-year allowance (FYA) of 50% for assets bought for leasing or hiring..

*https://www.gov.uk/government/publications/first-year-allowances-for-zero-emission-cars-and-electric-vehicle-chargepoints/capital-allowances-extension-of-first-year-allowances-for-zero-emission-cars-and-chargepoints

Corporation Tax

Corporation tax	2026/27	2027/28
Main rate	25%	25%
Small profits rate	19%	19%
Lower threshold	£50,000	£50,000
Higher threshold	£250,000	£250,000

Businesses acquiring new and unused electric charge-points are eligible to claim a 100% first year allowance (FYA). This measure will expire on 31 March 2027 for corporation tax purposes and 5 April 2027 for businesses subject to income tax*.

Companies with profits above £50,000 but no more than £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax

Lease rental restriction

Lease rentals are normally an allowable expense for businesses which can be deducted against their corporation or income tax charge. From 1 April 2021 a 15% restriction applies to the finance element of the lease where CO_2 emissions exceed a threshold of 50g/km.

Interest-free loans

The threshold for interest-free loans provided by employers to employees is £10,000. The current official rate of interest is 3.75%.**

As of 6 April 2026 the official rate of interest will be reviewed on a quarterly basis. Any changes in the rate will occur following a quarterly review, where appropriate.

This measure will enable the official rate of interest to increase in-year where appropriate, ensuring employment-related beneficial loans to employees are correctly valued.

** Rate correct as at 6 March 2026, please visit https://www.gov.uk/government/publications/rates-and-allowances-beneficial-loan-arrangements-hmrc-official-rates/beneficial-loan-arrangements-hmrc-official-rates to confirm current rates.

Income Tax

Income tax bands	Taxable income 2025/26 to 2030/31	Tax rate
Personal Allowance*	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

*The personal allowance reduces where the individual's income is above £100,000 by £1 for every £2 of income above the limit. This reduction applies irrespective of age.

For latest information on UK rates: www.gov.uk/income-tax-rates

For latest information on Scottish rates: www.gov.uk/scottish-income-tax

For latest information on Welsh rates: www.gov.uk/welsh-income-tax

National Insurance Contributions

National Insurance	5 April 2026 to 5 April 2028
Class 1 (employment) Weekly earnings primary threshold	£242
Weekly earnings secondary threshold	£96
Weekly Upper Earnings Limit (UEL)	£967
Employee's rate	
£242.01 – £967 p/w	8.00%
Excess over £967 p/w	2.00%
Employer's rate	
Excess over £96 p/w	15.00%

VAT fuel scale charge

Where employers provide free private fuel for an employee's company car, and recover input VAT on the purchase of the fuel including the private element, the employer is required to pay output VAT using the scale charges, as set out below.

CO_2 emissions (g/km)	Fuel scale charge 12 month period	CO_2 emissions (g/km)	Fuel scale charge 12 month period
120 or less	£657	175	£1,640
125	£983	180	£1,708
130	£1,051	185	£1,771
135	£1,114	190	£1,839
140	£1,182	195	£1,902
145	£1,245	200	£1,971
150	£1,314	205	£2,034
155	£1,377	210	£2,102
160	£1,445	215	£2,165
165	£1,508	220	£2,233
170	£1,576	225 or more	£2,297

Rates applicable from 1 May 2026 to 30 April 2027.

Vehicle Excise Duty (VED)

Cars registered on or after 1 April 2017. The amount you pay for the first 12 months (First year rate) is based on CO_2 emissions:

CO_2 emissions (g/km)	Tax year 2026/27		Tax year 2027/28	
	First year rate	Standard rate	First year rate	Standard rate
0	£10*	£200	£10	£210
1 – 50	£115	£200	£120	£210
51 – 75	£135	£200	£140	£210
76 – 90	£280	£200	£295	£210
91 – 100	£365	£200	£380	£210
101 – 110	£405	£200	£425	£210
111 – 130	£455	£200	£475	£210
131 – 150	£560	£200	£585	£210
151 – 170	£1,410	£200	£1,475	£210
171 – 190	£2,270	£200	£2,375	£210
191 – 225	£3,420	£200	£3,575	£210
226 – 255	£4,850	£200	£5,070	£210
Over 255	£5,690	£200	£5,950	£210

From 1 April 2025, zero emission cars first registered between 1 April 2017 and 31 March 2025 will also pay the standard rate.

New zero emission cars registered on or after 1 April 2025 will be liable to pay the lowest first year rate of VED. From the second year of registration onwards, they will move to the standard rate. Cars (with the exception of zero emission vehicles registered before 1 April 2025, with a list price of £40,000 or more when new) pay an additional rate of £440 per year in 2026/27 and £460 in 2027/28 respectively, on top of the standard rate, in the second to sixth years after the car's first registration (known as the Expensive Car Supplement (ECS).

New diesel vehicles registered on or after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard will be charged a supplement on their First Year Rate to the effect of moving up by one VED band.

Vehicle registration date	Tax year 2026/27	Tax year 2027/28
All Vans Euro 6 onwards	£360	£375

*Zero emission cars will pay a first year rate at £10 until 2029-30

Electric Vehicle Excise Duty (eVED)

Electric Vehicle Excise Duty (eVED), a new mileage charge for electric and plug-in hybrid cars, will take effect from 1 April 2028. Drivers will pay for their mileage on a per-mile basis alongside existing Vehicle Excise Duty (VED), and will provide a current odometer reading and estimate their mileage for the forthcoming tax period. Payment will be made upfront with a subsequent mileage reading used to reconcile estimated and actual mileage.

Tax Year 2028/29

Vehicle Types	eVED Rates
BEVs and HFCEVs	3p per mile
PHEVs	1.5p per mile

The rate will be uprated from 2029/30 and in future years in line with Consumer Price Inflation (CPI).

Mileage balance can be topped up during the tax period where expected mileage changes. Unused mileage credits can be carried forward to a future licensing period if actual mileage is lower than estimated.

Fleets will be able to estimate mileage by using contract mileage allowances. Bulk reporting and bulk payment via an API-based fleet management service are being developed to support mileage management by the end of 2026. Bulk top-up functionality will be available by 2028.

The government intends to publish detailed guidance and supporting tools by the end of 2026 to help drivers, fleet and leasing providers prepare for implementation.

Company van taxation

Van benefit charges where a van is used for private use (other than some home to work travel).

Tax year	Scale charge
2026/27	£4,170*
2027/28	£4,310*

*An additional £798 and £825 charge for 2026/27 and 2027/28 respectively applies if private fuel is also provided.

From 6 April 2021 the van benefit charge for zero emission vans will be £0.

Electric Car Grant (ECG)

The Electric Car Grant (ECG), which focus on the cleanest vehicles, are as follows:

Category	Definition	Grant	Maximum grant
Cars costing £37,000 or less	Band 1 cars	-	£3,750
	Band 2 cars	-	£1,500
Small vans	These vehicles are less than 2,500 kilograms (kg) gross vehicle weight, 0g CO_2 at the tailpipe and can travel at least 96km (60 miles) without any emissions at all	35% of cost	£2,500
Large vans	These vehicles are between 2,500kg and 4,250kg gross vehicle weight, produce 0g CO_2 at the tailpipe and can travel at least 96km (60 miles) without any emissions at all	35% of cost	£5,000

The rates above relate to Plug In Vans only.
For the latest information on the Grant applicable to all eligible vehicle types:
https://www.gov.uk/plug-in-vehicle-grants

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