Green fleet

AGENDA

ECONOMICS

FEELING THE FORCE OF FUTURE BUSINESS TRAVEL

Fleet managers are getting used to managing change. But where will the government's boost to speed up the great electric vehicle transition leave them? Alex Bell reports

If the wholesale switch to electric vehicles wasn't already impossible to ignore, it is now. In late March the government proposed the installation of 300,000 charging points by the end of the decade – a ten-fold increase on the 30,000 public charging points currently available.

Michael Gibson is the chief executive of Miralis Data, a company focused on helping to improve the planet by reducing vehicle emissions (See pages 15 and 53). Assessing the state of transition to electric vehicles (EVs), he says: "We're over the tipping point. And the biggest driver is fleets."

Miralis recently announced £1.7m of seed funding to support its plans to become the enterprise-level charge point management system of choice for fleets, workplaces, destinations and installers.

"Most major fleets are transitioning far faster than the general public," says Gibson. "But with that comes various pressures. And the key to hitting the government target will be infrastructure. Fleet managers have to have the correct infrastructure so they have power capacity in place, while also planning for the longer-term future.

"Rapid chargers are the ones people are more concerned about, and we need to see more of them, as they are disproportionately in London and the surrounding areas. In terms of where the UK is, we are similar to where Norway was three years ago, which is not a bad position."

"Most major fleets are transitioning far faster than the general public."
Michael Gibson
Miralis Data

Car makers sold 190,000 battery electric vehicles (BEVs) across the country last year, according to the Society of Motor Manufacturers and Traders (SMMT). It accounted for 11.6 per cent of total sales in 2021 with Britons buying more EVs than in the previous five years combined.

"In Norway now, 85 per cent of all vehicles sold are pure electric," says Gibson.

Shaun Sadlier is head of Arval Mobility Observatory in the UK, which carries out vehicle leasing research.

He said: "With the financial pressure that many SMEs are likely to experience in the wake of the pandemic, it is likely that products which remove the RV risk and provide a comprehensive vehicle package for a fixed monthly cost will have considerable appeal.

"However, the attachment of a large number of these smaller businesses to outright purchase remains considerable, although we expect this to probably soften in the coming years."

Umar Memon, managing partner at Jack Ross chartered accountants, says: "As part of its push to encourage the switch to electric, the government intends to provide more than £532m for consumer incentives for ultra-low emission vehicles [ULEVs].

"Around £403m of this is earmarked for the extension of the plug-in car grant [PICG] to 2022/23. As well as grants supporting car purchase, the government has put in place a voucher-based workplace charging scheme.

"This provides eligible employers with support towards the upfront costs of buying and installing electric vehicle charge points at the workplace."

Green fleet incentives

Increasing efficiencies and reducing carbon footprint is a key priority for many businesses. Umar Memon, managing partner at Manchester-based Jack Ross chartered accountants, says electric cars are now becoming more mainstream. "With more options on the market and with better infrastructure, they are now a much more viable option for an employer looking to provide an employee with a tax-efficient company car."

Electric cars

When assessing whether a company-provided electric car is tax-efficient, we need to consider this from both the employer and employee perspective. When providing a company car to an employee, a tax charge is assessed on the individual based on the benefit-in-kind (taxable benefit) and this is subject to income tax at the employee's marginal rate. The employer will also be assessed on Class 1A national insurance contributions at 13.8 per cent on the taxable benefit. Therefore, both parties have an interest in the assessed benefit-in-kind (BiK) being as low as possible. The lower the car emission, the lower the BiK. A low taxable benefit results in less tax to pay for the employee.

Electric vans

The BiK for private use of zero-emission vans has been reduced to nil to create more alignment between zero-emission car and van benefits. Tax is payable on a flat rate which is not dependent on list price or emissions when a company van is provided to an employee for personal use. This rate is set at £3,500 for 2021/22.

Salary sacrifice

Employees can exchange a portion of their monthly pre-tax salary for a non-cash benefit. And car schemes enable employees to lease ultra-low emission cars (less than 75g/km CO2) under this scheme, which includes BEVs (battery electric vehicles), PHEVs (plug-in hybrids) and HEVs (hybrids).

Capital allowances

Cars with CO2 emissions of less than 50g/km are eligible for 100 per cent first-year capital allowances. This means with electric cars, you can deduct the full cost from your pre-tax profits. On a car costing around £40,000 this could amount to a tax relief of £7,600 in the first year.

Government push

On 12 March 2020, the government brought in a plug-in car grant (PICG), offering those buying a new electric car up to £3,000 towards the purchase price. In order to maximise the number of people who could benefit as uptake increased, and prolong the scheme, the PICG has been reduced over time, with a cap on the value of cars on which it can be claimed. Currently, the PICG grant stands at £2,500 on eligible vehicles, with a cap of £35,000.

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Green fleet target in sight for Eric Wright

Eric Wright Group, based in Bamber Bridge, is ahead of the game when it comes to green fleets, and is on track to surpass its own targets for electric vehicle take-up as early as next year.

The group, which offers a range of services within the building industry, currently has 302 cars and 159 light commercials in its fleet.

Back in 2007, it comprised 99 cars and ten vans, says group fleet manager Steve Openshaw.

The group set a target of 60 per cent of its fleet being ultra-low emission vehicles (ULEVs) by 2025, but it is set to achieve this in early 2023.

Openshaw says Eric Wright is investing heavily in the charging infrastructure across its property portfolio.

To support the group's drive to a fully electric fleet, the power supply to the existing charge points at its head office on Sceptre Way is being upgraded.

A further 20 charge points will be installed by the end of 2022 – with 30 also being installed across its North West property portfolio.

"Our group policy on company vehicles is that only electric vehicles [EVs] or hybrid vehicles are now available," says Openshaw.

"We've worked hard to gain buy-in right across the group, allaying people's concerns about switching to EVs.

"Two years ago, only 20 per cent of the fleet was EV or hybrid, but today our order bank is currently 95 per cent electric.

"What we term 'range anxiety' is also being reduced as the region's EV charging network increases."

IN NUMBERS

Fleet is 22-29g of CO^2
(less than the construction sector average)

Projected to reach 0g CO^2 by
2030

ALTERNATIVE FUELS
account for 47% of the fleet

42%
of fleet are ULEVs

42
BEVs on fleet