



ELECTRIC VEHICLES - GROWTH MARKET

The global COVID pandemic has accelerated a number of changes throughout the world, including the movement towards work from home for the service sector and a growing realisation of the benefits of green vehicles, not only for the environment but also in respect of personal taxation levels. With staff adopting agile working and no longer having to commute, large swathes of company cars sat idle during the pandemic, and individuals were faced with the prospect of handing keys back rather than incurring tax bills of hundreds of pounds whilst suffering low incomes.

Electric vehicles made up a tiny proportion of car sales in 2019; however, in 2021, there were over 175,000 new electric vehicles registered on the UK roads - a growth of over 66%. The drive towards electric-powered transportation has both company and personal taxation advantages. Companies can enjoy the government grant for electric vehicles with

capital costs of less than £50,000, and individuals have personal taxation rates ranging from 1% Benefit-in-kind (BIK) for pure electric vehicles. Despite the adoption of electric vehicles suffering constraints due to supply chain issues across the globe, demand remains strong and is only likely to increase as the tax benefits become self-perpetuating.

The range of battery-powered vehicles from manufacturers is steadily growing. While Tesla dominates the market with its range and charging infrastructure, Mercedes, BMW, Kia, and VW are rapidly catching up. The charging infrastructure remains the major constraint to widespread adoption, with range anxiety causing the most concern for the electric car population.

From a funding point of view, electric cars represent an attractive proposition and have a strong residual value, especially as we move towards 2030, when petrol and diesel cars will be banned. Companies that purchase cars may be able to take advantage of the government grant and the availability of 100% capital allowances. Maintenance costs on electric vehicles are also substantially lower than fossil fuels, especially on consumables such as brake pads - where regenerative braking can

substantially reduce wear.

Companies can also take advantage of government schemes for the funding of charging infrastructure.

There is fierce competition for the funding of electric vehicles with other methods of finance available, such as personal contract purchase and contract hire. However, these facilities have the disadvantage of wear and tear being applied through return conditions. Most companies use the British Vehicle Rental and Leasing Association (BVRLA) standards to assess vehicles when they are returned, and while a fair method of evaluation, there is always the prospect that the hirer will be called on to repair any damage. In order to avoid such end-of-lease costs, a company may choose to hire purchase, or lease-purchase electric cars on a fixed cost facility to enable budgeting. Such facilities allow maximum choice and flexibility, enabling the company to select a cost-effective maintenance solution when required.

Renaissance Asset Finance, a subsidiary of Arbuthnot Latham & Co., Limited has considerable experience of funding a wide range of vehicles. If you would like more information on the bespoke solutions they can offer for electric vehicle funding, [please get in touch](#).

