



Association of Fleet Professionals

Designing a Plug-in Electric Vehicle Company Car Policy

This document provides some example fleet policy content that can be used as guidance when reviewing a company car policy that introduces or includes plug-in vehicles. The policies required will vary from company to company based on whether pure electric vehicles, plug-in hybrids, or both are included in the fleet policy and also the company's position and own view on plug-in vehicles.

This document also includes key considerations when reviewing a company car policy for plug in vehicles and some best practice suggestions.

Please note: This document is meant as a guide and not as an immediate and full replacement of any existing company car policies and must be used for guidance only.

Key Considerations for Operating Plug-in Vehicles on Fleet

There are a number of key considerations that are needed when introducing plug-in vehicles (that's both pure electric and plug-in hybrids) onto a company car fleet. They are very different from traditionally fuelled cars in many respects. This can create some negatives where additional cost and management time may be required, however if implemented correctly the introduction of plug-in vehicles should provide both employee and employer with significant tax savings, improve the environment, and generate other cost savings such as fuel and the avoidance of penalties in emission-based charging zones.

Key considerations are, but not limited to, the following:

1. Plug-in vehicles should be "fit for purpose" for the driver and the fleet requirements. This is both vehicle type and specification, as well as correct for the type of drive cycles the car will be used for i.e. the typical daily mileage should be within the electric range of an EV to ensure there is only an occasional need to charge during the day, and

2. For PHEVs, the majority of the daily mileage should be achieved in EV mode with the Internal Combustion Engine (ICE) only being used for occasional longer journeys. In general, they are not a good vehicle choice and can be very expensive to run, far more than an ICE vehicle, if running on the petrol engine more than the electric powertrain. Of course, if used correctly they can be a good stepping stone into pure EVs.

3. For employees running vehicles with high mileages per annum, be careful. Although it is very much possible to run an EV on mileages over 20K per annum, check the daily mileages and work with the employee to ensure the vehicle can be run effectively.

4. It is critically important to review the company car selection process. Plug-in vehicles are typically higher cost than Internal Combustion Engine (ICE) vehicles and will therefore normally attract higher rental rates. However, if you factor in company NI, fuel costs, SMR etc over the life of the vehicle they can be significantly cheaper than a traditional ICE. As such, we would strongly recommend using Whole Life Cost (WLC) as the selection methodology for any mixed fuel fleet policy.

5. Using a Whole Life Cost (WLC) policy is important, but we would also recommend having flexibility in the company car policy. Where there are limited plug-in vehicles on the market and many of them are high cost (compared with the equivalent ICE) even under a WLC policy some employees may not be able to obtain an EV in their grade. We therefore suggest looking at allowing employees to trade up based on WLC - this will ensure the company is not exposed to higher costs and if drivers make a private contribution to trade up to a plug-in vehicle it could dramatically reduce their Benefit in Kind Tax and result in a much more cost effective option for them.

6. Allow cash employees back into the company car scheme and review launching salary sacrifice schemes for pure EVs only.

7. Any employee taking a plug-in vehicle should have a dedicated charger at their home if they have the potential to fit one in. This will allow maximum use of electric driving for a PHEV and ensure range anxiety is minimised for a pure EV. Dedicated home chargers are both safe, convenient to use, and will charge a car much faster than by a standard 3 pin socket (which we would not recommend). Please always refer to the vehicle manufacturer's recommendations regarding using a 3-pin socket.

8. Do not exclude employees that cannot fit a home charger at their property (live with no driveway, rented accommodation and landlord will not allow fitment etc). Providing the employee is dedicated to make it work, work with them to ensure the company is comfortable that they can charge the vehicle effectively. In these examples, issue a declaration form for the employee to sign to take responsibility for charging the vehicle effectively at their cost.

9. The company must decide whether they are to provide a charge point for the employee at home, or whether the employee will be expected to pay for it. Both methods are common although at the moment (and HMRC have changed this before so we recommend checking regularly with HMRC) benefit in kind tax will be chargeable for the employee if the company pays for the charge unit. You also need to consider what happens if the employee moves home.

As further options, it is also possible to include the charge point costs within the lease costs or you could allow the company to pay for the charge point and then deduct the cost over a 6-12 month period, directly from the employee's salary.

10. It is important to consider your fuel policy and mileage reimbursement systems when introducing plug-in vehicles. It can be quite complex to deal with multiple fuel types (i.e. for PHEV's petrol/ diesel and electricity) and

also to identify the amount of electricity used if employees are recharging their vehicles at home, work and on the public charging networks, where for the latter costs can vary from free, to charged by the incident or by the amount of electricity drawn. It may be worth considering using HMRC's AFR and AER rates for reclaiming business mileage, which provide a simple and straightforward reimbursement solution.

Example Sections for the Company Car Policy

Electric Plug-in Vehicle Entitlement

The company car policy now allows, at each driver grade, the option of a pure electric. These vehicles greatly reduce the environmental impact on climate change and urban air quality, as such **COMPANYA** have introduced <key models/ vehicles> into the company car choice list. The models are currently limited to those with the best range and whole life cost profile at each given grade. Over time as plug-in vehicles become more affordable more models will be introduced as **COMPANYA**, and the UK, move towards a zero emission future as set out by the UK Government in its "Road to Zero" Strategy.

The plug-in vehicles also benefit from lower taxation, both for you and **COMPANYA**. From April 2020 the company car tax is nil for zero emission pure electrics in 2020/21, followed by 1% in 2021/22 and 2% in 2022/23.

Entitlement for plug-in vehicles will fall in line with the main company car policy, however there are further considerations if you want to select a plug-in vehicle:

1. Your driving patterns must be suitable for the electric range of the vehicle available. Electric vehicles are best suited to urban/ city style driving, and not constant high speeds on motorways. We suggest that in the worst driving conditions (for example in winter and motorway driving) the electric cars actual range could be some 25-30% lower than the official range figures.

If you are travelling in excess of 20,000 miles per year, we will work with you, checking your trip patterns to ensure an EV will be suitable for requirements.

2. It is a **REQUIREMENT** of selecting an electric vehicle that you have a domestic charging unit installed at your home to charge the vehicle overnight if you have the ability to put one into your home (see below section on vehicle charging)

3. If you are not able to install a domestic charging unit at your home, you will be asked to sign a declaration to confirm you have the ability to charge your car overnight.

4. Public charging networks, where you can charge your car at motorway services, or public car parks, etc often belong to different networks so need membership to access the chargers. You need to ensure there is an adequate network for you to access in the areas you may need for top up charging

5. You should consider the suitability for an electric vehicle for both your business and personal use as this will be your sole vehicle

6. For plug-in hybrid vehicles it is essential that the vehicle is driven in electric mode as often as possible as this is their most efficient mode. If they are purely driven in diesel/ petrol mode it is likely their fuel economy will be worse than traditional diesel cars

Fuel Reimbursement

Electric vehicles cost significantly less to run than diesel equivalents. Typically, an electric vehicle, or PHEV in electric mode, will cost 3-4 pence per mile in electricity compared to an efficient diesel costing 10-11 pence per mile. When charging at home your electricity will probably cost between 3-4 pence per mile given average domestic electricity prices, and on the public charging network electricity can be free, or at locations such as motorway service stations could have a premium cost, just like diesel (In some instances, this could even be more than diesel costs, over 13 pence per mile).

Note: *The following is an example of fuel payment systems which we encourage as a simple reimbursement process. The company's car selection WLC policy must be aligned to the method of fuel/ electric reimbursement.*

To simplify the payment of fuel for business use, the HMRC has provided an AER rate of 4 pence per mile for pure electric vehicles. This is the same system as the AFR rates currently used for diesel reimbursement at <COMPANY A>, only it is for the reimbursement of electricity. The fuel policy regarding pure electric vehicles is that you will pay for the electricity in the first instance, be that in your domestic electricity bills, and on the public charging network, and <COMPANY A> will reimburse you for all business mileage at the HMRC rate of 4 pence per mile. This should fairly compensate you for the electricity used in your business element of your driving.

For plug-in hybrids <COMPANY A> will pay for business fuel via the current method of HMRC AFR mileage rates. A plug-in hybrid is treated the same as normal hybrids in that the rate is based on the fuel type and engine capacity of the vehicle ignoring the electric element of the drive system. As such, a plug-in hybrid will receive the normal AFR rate based on whether it is diesel or petrol and the size on the engine. This means

the more you utilise the vehicle in electric only mode, the greater the cost saving to you for fuel in business use. If you do not utilise the electric only mode, then the AFR rate may not cover your actual business fuel costs. Plug-in hybrid vehicles should only be chosen by employees who will regularly charge the vehicles and predominantly do frequent shorter journeys.

If you wish to have a more accurate fuel management and payment system you need to consider how, and where the drivers will charge their vehicles, and if you can get access to the charging information/ cost. There are now some suppliers who are providing "fuel cards" for EVs however some may be limited to a specific charge point company so all charging may need to be carried out on their devices, home/work and public.

Benefits of Electric Vehicles

- Reduced BIK tax for you
- Reduced Class 1A NIC for the company
- Cheaper fuel - typically 2 to 4 pence per mile when running on electricity, dependent on electricity tariff and off-peak charging benefits.
- No Vehicle Excise Duty (pure electric zero emission vehicles only under £40k list price)
- 100% discount from the London Congestion Charge and conform to Clean Air Zones (note - more cities are looking at launching London type schemes)
- Zero or reduced tail pipe emissions, especially in urban environments (plug-in hybrids can have EV mode selected manually when in urban driving conditions)
- Reduced reliance on fossil fuels and potentially greater security of supply
- Many cities provide free charging and parking for EVs
- Quiet and relaxing motoring - no gear changes and smooth acceleration
- Making sure we live in a more sustainable world

Home Charging Points

It is a requirement of <COMPANY A> that if you select a plug-in vehicle you must have a domestic charge point installed at your home, if you can fit one. It is expected that the majority of charging will be carried out overnight at your home, and a bespoke unit is the safest and quickest way to do this. The public charging network is a good supplement to home and workplace charging but generally, is not developed enough to rely on for all charging requirements.

You will need to ensure you have suitable off-road parking close to a power supply. You may also need to consider that if your property is not owned by you, but rented, that the landlord will need to be consulted about the installation of a charge point on the property.

It is the driver's responsibility to pay for and install a domestic charge point, however these are currently supported by a Government grant which provides up to 75% of the cost.

<COMPANY A> have a preferred supplier of domestic charge points who can be used to supply and install a charge point at your home and give advice as to the most suitable unit and leads. The chargers cost start at about £500- £600 after a Government grant. You can also talk to the vehicle manufacturer or your local dealer if you wish to install a different charger. There is a cost to these chargers but the significant reduction in company car tax will offset this cost very quickly and mean you own the actual charger permanently, and beyond the life of your first electric vehicle.

You will need to provide evidence you have a charge point installed to the fleet team prior to delivery of your electric vehicle. If you cannot fit a charge point (due to living in a flat, no drive way etc), then you will be asked to sign a declaration that you fully accept the vehicle on the basis that you can (and will) be able to charge the vehicle effectively via an EV charge unit overnight.

Some plug-in cars come supplied with charging leads with 3 pin plugs for charging in a normal household plug point. This is for occasional charging only and we would not recommend using this as a regular charging method. Never use an extension lead when charging from a 3 pin plug socket and always follow the vehicle manufacturer's guidance on charging the vehicle.

We would always recommend that the driver fully researches the charging requirements of the vehicle ahead of ordering. The Fleet team will be able to provide assistance where necessary.

Electric Vehicle Information

Vehicle Range

Electric vehicles have a limited driving range before they require recharging, just like diesel cars with refuelling. The key difference is that electric vehicles will often take a number of hours to recharge.

A typical pure electric vehicle will have a range of between 150 and 300 miles on a single charge and will require up to 6-10 hours to fully recharge on a domestic home charging unit. It is possible to charge the vehicles much quicker

with a rapid charge point, which can charge a vehicle to 80% capacity in as little as 20 minutes, these are typically at motorway service stations as they are both expensive to buy and install. For these reasons, it is important to select a vehicle with a range suitable for your daily requirements, and for occasional long journeys consider the need for top-up charging on route. Some EVs have real world driving ranges of over 250 miles and can top up 150 miles in about 15 minutes, plenty of time for a comfort break.

Plug-in hybrids have traditional petrol or diesel engine as well as a battery electric system, and hence do not suffer from range anxiety as the traditional engine can be used, however this will not be as efficient as the electric drive system. Plug-in hybrids have much smaller batteries than pure electric vehicles so although they will charge much quicker – typically an hour or two, their electric only range is typically 20 to 50 miles. They also will not benefit from lower maintenance costs as they still have an internal combustion engine on board. PHEVs should only be selected if the majority of your trips will be performed on the EV cycle. If they cannot, it could be extremely costly for you to be running this type of vehicle.

Seasonal variations in range

When considering the maximum range of pure electric vehicles, there will be seasonal variations. For example, in the winter the cold affects the efficiency of the batteries and the heater/ air con, windscreen wipers and headlights will typically be used more often and all draw electricity from the battery. Therefore, it's wise to consider the likely maximum daily mileage without charging as being 25-30% less than the range quoted by the manufacturer. Many manufacturers now put on their websites range calculators so you can look at the impact of weather, speed and air conditioning etc, on the range of the vehicle.

Charge points – public network

The public charging network is growing significantly, with chargers at motorway service stations, petrol stations, public car parks and shops/supermarkets/cinemas, etc. Some areas of the UK are better served than others, so it is worth researching the areas you live in and regularly travel to (zap-map.com is a good source of charge point information which includes the UK network). The public charging network is owned/ operated by a number of different companies and as such you may require membership, Apps or access tags to use certain charge points. It is worth researching which ones operate in the areas you will want to charge, and the speed of chargers you want to use. There are some large network operators

such as podpoint, Chargemaster, Polar and the UK is looking at an open-source system where you can access any network's chargers without needing membership or an access device. More networks are also moving over to App based systems which makes access far easier.

Battery Warranty/ Life Expectancy

The battery warranties for plug-in vehicles are typically for 5 to 8 years and 80,000 to 100,000 miles. So, for <COMPANY A> drivers, the warranty will easily exceed the anticipated fleet life of the vehicle. Most manufacturers expect the life of the battery to be over 10 years and 150,000 miles, so there are no issues regarding the need to replace batteries whilst you have the vehicle. As with petrol and diesel engines, there are conditions attached to the warranties to cover areas such as misuse or abuse of the battery.

Towing

If you intend to tow a heavy trailer or caravan, please check with vehicle manufacturer before placing an order for a pure electric vehicle. Many electric vehicles have lower towing capacities, and some are not suitable for towing.

Breakdown

In the unlikely event of a breakdown, please inform the recovery services if the vehicle is a pure electric vehicle. This will allow them to send the correct technician and also many pure electric vehicles cannot be towed and so a different recovery method may be required.

Driver Responsibilities - in addition to the main company car policy

- The selection of an electric vehicle is your responsibility. You must ensure you understand the charging and range limitations, set out above, and that the vehicle is suitable for your needs.

- You must have a home charger installed if it is possible to install one, either through <COMPANY A>'s preferred supplier or an installer of your choice - the home charger is your responsibility, both the cost and any maintenance/repair/ replacement of the unit. You must always use this equipment in line with the manufacturer's recommendations
- If you cannot install a home charge unit due to your type of home, ensure you work with the fleet team to be comfortable that you can charge your car overnight with an EV charge unit.
- As with traditionally fuelled vehicles it is your responsibility to use and maintain the vehicle in accordance with the vehicle manufacturer's guidelines. This includes the correct charging of the vehicle using the recommended leads and equipment
- You are responsible for ensuring the vehicle has adequate charge to reach your destination, using the public charging infrastructure, if necessary. This is deemed no different to ensuring traditionally fuelled vehicles do not run out of fuel.

<COMPANY A>'s Responsibilities

- <COMPANY A> will supply and maintain the vehicle through its lease providers and provide support in line with the main company car policy and the main company car policy documentation
- <COMPANY A> will not be responsible for your domestic charge points or installation and maintenance of these units. Equally they will not be responsible for the units should you move home or the charger need repairing.



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