



Plug-in hybrid electric vehicles: benefit-in-kind easement

February 2026

Guidance Factsheet v1.0

Summary

As announced in Budget 2025, the government is introducing a temporary easement to mitigate the increasing benefit-in-kind (BiK) tax liabilities of Plug-in Hybrid Vehicle (PHEV) company cars due to new emission standards.

PHEVs first registered and made available from 1 January 2025 to 5 April 2028, under any emission standard other than Euro 6d-ISC-FCM or Euro 6e, (generally this will mean Euro 6e-BIS-FCM and subsequent emission standards), have a deemed CO₂ emission of 1 g/km. This means that the BiK charge will be based on the electric mileage range.

The easement will apply retrospectively from 1 January 2025 to 5 April 2028. Transitional arrangements will apply to certain PHEVs until 5 April 2031.

Background

When an employer makes a company car available for private use there is a BiK Income Tax charge to the employee, and an employer National Insurance Contribution charge. The charges are calculated using CO₂ emissions and, where relevant, the electric mileage range of the vehicle.

From 1 January 2025, Northern Ireland introduced the Euro 6e-bis emissions standard, which calculated CO₂ emissions based on the 'utility factor' (UF) of plug-in hybrid vehicles (PHEVs). Under Euro 6e-bis, the CO₂ figures rose. Please see the previous [BVRLA Fact Sheet on PHEV Utility Factors](#) for more background information.

Great Britain has yet to adopt Euro 6e-bis but has committed to aligning with Northern Ireland and the EU. In July 2025, in the [Exchequer Secretary's Written Ministerial Statement](#), the Government announced that if a new emissions standard for PHEVs is introduced in Great Britain, it will help to mitigate the significant increase in BiK tax that would result from higher CO₂ emissions figures.

During the Autumn Budget in November 2025, the Government announced the introduction of a [temporary easement](#) to mitigate the increasing BiK liabilities for PHEVs. Following the Budget, the Government has now published the [Finance Bill](#), setting out how the PHEV BiK easement will work.

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Easement

If a car meets **ALL** the criteria below, **then the vehicle's CO₂ is deemed to be 1g/km for employment tax purposes**, (such as the company car BiK percentage, salary sacrifice BiK percentage and the fuel benefit charge).

The legislation gives the **criteria for the easement**, all of which must be met to qualify:

- The vehicle was registered on or after 1 January 2025.
- The car's CO₂ emission figure is 51 or more. This is intended to make the measure wholly relieving which is needed for retrospective measures.
- The vehicle was registered under any emission standard other than Euro 6d-ISC-FCM or Euro 6e. Generally, this will mean Euro 6e-BIS-FCM and subsequent emission standards are in scope.
- The car's electric range is 1 or more. This means only Plug-in Hybrid Electric Vehicles.

The **easement applies from 1 January 2025 until 5 April 2028 with transitional arrangements**. For arrangements existing on 6 April 2028, you keep the nominal CO₂ treatment **until the earlier of 5 April 2031 or a change in the arrangement**.

What does this mean in practice for tax liabilities?

The easement should mean that PHEVs registered in Northern Ireland or Great Britain will have the same tax treatment for employment tax purposes.

All PHEVs type approved to Euro 6e-BIS, registered from 1 January 2025 to 5 April 2028 will be able to ignore the actual CO₂ value assigned to the vehicle on the registration documentation and instead, use a nominal 1g/km value. This means that the BiK percentage for these vehicles will be based not on the CO₂ emissions but only on the electric mileage range, using the table in Appendix 1 below.

Any PHEV with CO₂ emissions up to 50g/km, enjoyed lower BiK rates based on electric mileage range even before the easement, so there is no change for the lower emission PHEVs.

The easement applies retrospectively, so some drivers may have overpaid BiK. The legislation is not in force yet, so any drivers claiming back overpaid BiK from 1 January 2025 will need to wait for Royal Assent.

Other practical considerations

Members need to identify which vehicles were type approved under Euro 6e-BIS and we recommend that you speak to OEMs and data providers to find out.

The easement applies only for employment tax purposes (company car tax, salary sacrifice OpRA and fuel benefit). However, the easement has no impact on the CO₂ values used for any other taxes, such as VED, capital allowances, corporation tax disallowance for leased vehicles or VAT on fuel for private use.

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Useful Resources

January 2025: Previous BVRLA guidance [Emission-Testing-of-Plug-in-Hybrid-Vehicles-Utility-Factors.pdf](#)

November 2025: HMRC Policy paper published on Budget Day [Benefits in kind: easement for plug-in hybrid electric vehicles - GOV.UK](#)

December 2025: Budget 2025 Overview of Tax Legislation and Rates (OOTLAR) [Annex A: rates and allowances - GOV.UK](#)

Contact

For any further questions, please contact Zohra@bvrla.co.uk

Disclaimer

This factsheet is to provide general guidance and information only and does not constitute tax or legal advice. Members should seek independent professional guidance to assess their specific circumstances.

Appendix 1 Annex A: rates and allowances - GOV.UK

Company car tax — all cars

CO2 emissions, g/km	Electric range (miles)	Appropriate percentage (%) for 2025 to 2026	Appropriate percentage (%) for 2026 to 2027	Appropriate percentage (%) for 2027 to 2028	Appropriate percentage (%) for 2028 to 2029
0	Not applicable	3	4	5	7
1 to 50	More than 130	3	4	5	18
1 to 50	70 to 129	6	7	8	18
1 to 50	40 to 69	9	10	11	18
1 to 50	30 to 39	13	14	15	18
1 to 50	Less than 30	15	16	17	18

Note - this is an extract from the table showing only the relevant rows for the easement; see the link above for the full table showing the complete BiK rate table