



## Payroll Update

### Benefit in Kind changes from 1st January 2023

16<sup>th</sup> November 2022

#### Introduction

The rules for calculating the Benefit in Kind (BIK) charge on company provided vehicles are changing on the 1st January 2023. These changes were originally included in Finance Act 2019 and have a commencement date of the 1st January 2023.

#### Company Cars

To calculate the cash equivalent value of the benefit of having the private use of a company car the original market value of the car is multiplied by an appropriate percentage based on the business mileage travelled and the CO2 emissions category of the vehicle. The higher the emissions category the greater the taxable benefit.

The appropriate percentage to be applied when calculating the taxable benefit is set out in the following tables:

Table A

Business Mileage		Vehicle Categories				
Lower Limit Kilometres	Upper Limit Kilometres	A %	B %	C %	D %	E %
0	26,000	22.5	26.25	30	33.75	37.5
26,001	39,000	18	21	24	27	30
39,001	52,000	13.5	15.75	18	20.25	22.5
52,001	-	9	10.5	12	13.5	15

Table B – CO2 Emissions

Vehicle Category	CO2 Emissions (CO2 g/km)
A	0g/km up to and including 59g/km
B	More than 59g/km up to and including 99g/km
C	More than 99g/km up to and including 139g/km
D	More than 139g/km up to and including 179g/km
E	More than 179g/km

#### Example:

An employee has the use of a car provided by the employer:

- The original market value (OMV) of the car is €28,000.
- Per the manufacturer, the car produces 150g/km in CO<sub>2</sub> emissions. This puts the car in vehicle category D in Table B.
- The business kilometres travelled in the year is 30,000 kilometres. The percentage to be applied in calculating the taxable benefit is 27% (mileage between 26,001 and 39,000, see table A).

The taxable benefit for 2023 is €7,560. (OMV of the car, €28,000 x 27%). This is an increase on the BIK charge of €6,720 for the same car in 2022.

The new calculation rules will result in a higher BIK charge for employees driving vehicles within the higher emission CO2 category bands.

## Vans

From 1 January 2023, the percentage used in the calculation of the cash equivalent amount for the use of a van will increase from 5% to 8%.

## Electric Vehicles

The 0% BIK charge for electric vehicles is being phased out over the years 2019 to 2025. There is a partial relief from the BIK charge for the years 2023 to 2025. The relief applies by reducing the OMV of the vehicle before applying the appropriate percentage:

- 2023 The original market value is reduced by €35,000.
- 2024 The original market value is reduced by €20,000.
- 2025 The original market value is reduced by €10,000.

### Example:

An employee has the use of an electric vehicle provided by the employer:

- The original market value (OMV) of the vehicle is €60,000.
- The business kilometres travelled in the year is 30,000 kilometres. The percentage to be applied in calculating the taxable benefit for 2023 is 18% (mileage between 26,001 and 39,000, see table A for vehicles within emissions Category A).

The taxable benefit for use of the electric vehicle in 2023 is €4,500. (OMV of the vehicle, €60,000 - €35,000 x 18%).

All employers should now review the BIK charge for employees that have the use of company vehicles before running the January 2023 payroll.

Article by - Padraig ODonoghue

For further information on the BIK changes please contact:

Padraig O'Donoghue | Tax Partner  
[Padraig.ODonoghue@mooreireland.ie](mailto:Padraig.ODonoghue@mooreireland.ie)

Eoghan Bracken | Tax Partner  
[Eoghan.Bracken@mooreireland.ie](mailto:Eoghan.Bracken@mooreireland.ie)

Patricia Twohig | Director  
[Patricia.Twohig@mooreireland.ie](mailto:Patricia.Twohig@mooreireland.ie)



Moore – Cork  
83 South Mall, Cork Republic  
of Ireland  
T +353 21 427 5176  
F +353 21 427 7305  
[www.mooreireland.ie](http://www.mooreireland.ie)

Moore – Dublin  
Ulysses House, Foley Street,  
Dublin 1 Republic of Ireland  
T +353 1 888 1004  
F +353 1 888 1005  
[www.mooreireland.ie](http://www.mooreireland.ie)