

# Tax Update: Mileage rates – June 2017

## Company cars – New rules to Tax Free Fuel Rates from 1 June 2017.

HMRC recently publish approved ‘fuel only’ rates which have applied if you are provided with a company car by your employer and you;

- claim a mileage allowance from your employer solely for the cost of fuel used on business journeys, or;
- repay your employer for fuel used on private travel – including that between your home and normal workplace.

If you use the approved rates, you have certainty that you are claiming no more than the true cost of fuel used on business journeys and so will not be taxed on a ‘fuel benefit’ .

The rates last changed on 1 March 2017 and have now been amended with effect from 1 June 2017. In general, the rates are unchanged, apart from a reduction in rates for petrol cars over 2000cc. If you have been either claiming more for business mileage, or repaying less for private mileage, than the HMRC official rates, HMRC’s view is that fuel for private travel is provided by the employer. The car driver is therefore taxed on the fuel benefit scale charge, unless the car user meets the cost of all fuel used privately. There is, therefore, a risk that company car drivers who might have paid a few pence less for their private travel, or who have inadvertently claimed more from their employer, than the official rate will be taxed on the full fuel scale benefit, which could add up to £3,760 to their annual tax bill. Employers would also be hit with extra Employer National Insurance on the fuel benefit.

The new rates effective from 1 June 2017 are as follows (previous rates, if different, shown in brackets);

ENGINE SIZE	PETROL	DIESEL	LPG
Petrol 1400cc or less	11p	-	7p
Diesel 1600cc or less	-	9p	-
Petrol 1401 to 2000cc	14p	-	9p
Diesel 1601 to 2000cc	-	11p	-
over 2000cc	21p (22p)	13p	14p

If you use a petrol car over 2000cc and pay your employer for petrol used on private travel, you should now reduce the amount you repay your employer. Equally, those claiming business mileage from their employers should increase the amount claimed.

Where employees are paid mileage allowances rather than being reimbursed the cost of their fuel, the business can either account for a scale charge or claim input VAT on fuel for the actual business

mileage, depending on whether the mileage allowances covers all mileage or just business mileage. Note that the new scale charge regime is based on CO2 emissions. Subject to a scale charge being accounted for where required, the business can reclaim input VAT out of the fuel element of the mileage allowance. The fuel rates are the same as in the table above and are treated as inclusive of VAT for reclaiming input VAT.