

# Mileage rates

## June 2023

### Company car users: further changes to tax free fuel rates from 1 December 2023.

HMRC regularly publish approved 'fuel only' rates which have, again, changed, reflecting the increase in fuel costs.

These rates apply 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 September 2023. The rates for petrol cars, apart from 1401 to 2000cc and LPG cars over 2000cc are increased from 1 December. The rate per mile for 100% electric cars is reduced 10p to 9p.

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 inadvertently paid a few

pence less for their private travel, or who have claimed more from their employer than the official rate, will be taxed on the full fuel scale benefit. This in effect assumes that up to £8,917 worth of private fuel has been provided and could add up to £4,012 to their annual tax bill following recent increases in the level of the benefit.

The tax cost can equate in general to more than 20,000 miles worth of fuel. Employers would also be hit with extra Employer National Insurance on the fuel benefit.

The new rates effective from 1 December 2023 are as follows (previous rates, if different, shown in brackets):

| Engine size           | Petrol       | Diesel       | LPG          |
|-----------------------|--------------|--------------|--------------|
| Petrol 1400cc or less | 14p<br>(13p) | -            | 10p          |
| Diesel 1600cc or less | -            | 12p          | -            |
| Petrol 1401 to 2000cc | 16p          | -            | 12p          |
| Diesel 1601 to 2000cc | -            | 14p          | -            |
| over 2000cc           | 26p<br>(25p) | 19p<br>(18p) | 18p<br>(19p) |
| 100% Electric Cars    | 9p<br>(10p)  | -            | -            |

Whether you pay your employer for fuel used on private travel, or claim business mileage from your employer, you should now increase the amount you repay or claim from your employer if you are using an employer-provided car for which the allowable mileage rate has increased.

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.

**There is a risk that company car drivers who are paying, or claiming, the incorrect amount could add up to £4,000 to their annual tax bill.**

### The next step

If you are in any doubt as to the application of these changes to your circumstances, or wish to discuss the implications further, please do not hesitate to contact us. These changes do not affect employees or directors who use their own cars for business travel, nor company car drivers whose employers pay for all of their fuel.