



If you need to claim for the fuel used on business journey's in your private car, HMRC have kindly created an updated chart that sets out the rates per mile you can claim. (Advisory Fuel Rates – AFRs). If your employer does not reimburse you for the fuel costs you can make a claim on your tax return.

And if you have the use of a company car and your employer pays for your private petrol, you can avoid the draconian Car Fuel Benefit charge by using the appropriate fuel rate to repay your employer for any private journeys. See comments below for how to achieve this.

Reclaiming VAT on fuel

If you or your business pays for fuel, you can use the AFRs to reclaim VAT on the fuel element of mileage payments. To do this:

- Ensure that the mileage is for business use.
- Keep VAT invoices for the fuel purchased.
- Use the AFR to calculate the VAT that can be reclaimed on the fuel cost. This is done by applying the relevant rate (based on the car's engine size and fuel type) to the business mileage and calculating the VAT portion (currently 1/6th of the fuel rate).

Reimbursing employees for fuel costs

If your employees drive a company car for business trips, you can use AFRs to reimburse them for the fuel they pay for as long as you use the correct rate set by HMRC, based on the car's engine size and fuel type:

- No additional tax or National Insurance Contributions (NICs) are due on the reimbursement.
- This makes the process tax-efficient and reduces administrative burdens.
- By sticking to the AFRs, you avoid the need for complex calculations of actual fuel costs and keep both employees and HMRC happy.

Avoiding the Car Fuel Benefit Charge

If employees use company cars for personal trips and reimburse the company for fuel, using the AFRs can help reduce the tax they have to pay:

- By reimbursing the exact amount of fuel used for personal trips at AFR rates, employees can reduce or eliminate the fuel benefit charge, a taxable benefit on private use of company fuel.
- As long as the full reimbursement is made, there's no taxable benefit.

The key is to work out the amount of any reimbursement to be made and compare this with the tax cost of any Car Fuel Benefit Charge. Unless you have excessive private use of a company car reimbursing the fuel costs to your employer may be less expensive than paying the extra tax.

Avoiding the benefit charge may also save your employer National Insurance costs.

Practical steps

- Keep good records of business mileage and fuel receipts.
- Check HMRC's rates regularly, as they are updated quarterly (March, June, September, and December).
- Ensure correct VAT invoices are retained to reclaim VAT.
- Current advisory rates can be accessed at <https://www.gov.uk/guidance/advisory-fuel-rates>.

By using the HMRC's advisory fuel rates efficiently, businesses can simplify reimbursement processes, avoid unnecessary tax and NIC liabilities, and maximise tax savings for employees.

We can help

As mentioned above, the key to maximising savings for your business and employees is to set up appropriate systems and crunch the numbers to maximise tax savings. We can help you undertake a review of your present reimbursement arrangements to ensure you reap the maximum benefits.

For further information on this, please call us on **01753 888 211** or email **info@nhllp.com**. We would be happy to help.