



HMRC publish mileage rates, known as the advisory fuel rates, which can be paid tax-free to employees with a company car to reimburse them for the fuel used on business journeys where the employee has initially paid for the fuel. The advisory fuel rates are not the same as the approved mileage payment rates, which are higher rates that can be paid tax-free to employees who use their own cars for business

Key dates

HMRC updates the advisory fuel rates quarterly (on 1 March, 1 June, 1 September and 1 December) to reflect changes in fuel costs.

This note sets out the rate applying from 1 December 2022 and explains when the rates can be used.

Nature of the advisory fuel rates

The advisory fuel rates are only of relevance where an employee has a company car. The rates can be used where you:

- need to reimburse employees for business travel in their company cars; or
- employees need to repay the cost of fuel used for private travel.

The advisory fuel rates should not be used in any other circumstances.

Reimbursing employees for business travel in company cars

Where an employee has a company car and pays for the fuel for that car, as an employer, you can use the advisory fuel rates to reimburse the employee for the cost of fuel for business journeys in

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their company car. As long as the mileage payment that you make is no higher than the advisory rate for the car in question, the reimbursement can be made tax free.

The advisory rates are guideline rates and payments do not have to be made at that rate. Where payment is made at or below the advisory rate, the payment is tax-free and does not need to be reported to HMRC.

If the rates that you pay are more than the advisory rates, unless you are able to show that the actual fuel cost exceeds the advisory rates, the excess over the advisory rates is taxable and liable to Class 1 National Insurance contributions.

As long as the employee is only reimbursed for business travel, the fuel benefit-in-kind charge will not apply.

Employees repaying the cost of private fuel

If, as an employer, you pay for fuel for all journeys in a company car, for example, if an employee uses a fuel card to pay for fuel, a fuel benefit charge will arise. This can be costly and where private mileage is low is unlikely to be tax-efficient.

The employee can avoid a fuel benefit charge if they make good the cost of fuel used for private mileage. Reimbursement of the private mileage costs can be made using the advisory fuel rates. It will be necessary to keep a record of all private mileage. The reimbursement must be made at a rate that is at least equal to the advisory rate for the car in question. The employee must make good the cost of fuel for private motoring no later than 6 July following the end of the tax year to which it relates.

You do not need to use the advisory rates if it can be demonstrated that the employee has repaid the full cost of fuel for private journeys by repaying at a rate lower than the advisory rates.

It should be noted that HMRC do not regard electricity as a 'fuel' for the purposes of the fuel benefit charge. Consequently, where the employer pays for all the electricity for a company car, there is no requirement for the employee to repay this to avoid a fuel benefit charge.

Advisory fuel rates from 1 December 2022

The advisory fuel rates applying from 1 December 2022 to 28 February 2023 are shown in the table below. The advisory fuel rate for electric cars is increased from 5 pence per mile to 8 pence per mile. The rates for other fuel types are unchanged from September. Hybrid cars are treated as petrol or diesel cars for the purpose of the rates.

Engine size	Petrol – rate per mile	LPG – rate per mile
1400cc or less	15 pence	9 pence
1401cc to 2000cc	18 pence	11 pence
Over 2000 cc	27 pence	17 pence

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Engine size	Diesel – rate per mile
1600cc or less	14 pence
1601cc to 2000cc	17 pence
Over 2000cc	22 pence

Electricity rate

Fully electric cars: 8 pence per mile

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