# Broadcast

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SPECIAL ISSUE

## FACTSHEET: FUEL SCALE CHARGE

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Where an employee has a company car, they are taxed on the benefit derived from the car being available for their private use. If the employer also provides fuel for private travel, a separate tax charge arises in respect of this fuel (with the exception of electricity where the employee has an electric car). However, this can be avoided if the employee repays the cost of all fuel used for private journeys.

**Key dates**

To be effective in eliminating the tax charge on fuel for private travel in a company car, the employee must ‘make good’ the cost of all fuel for private journeys in the tax year no later than 6 July following the end of the tax year.

This note explains the nature of the fuel scale charge and how to avoid it.

**Nature of the fuel scale charge**

Where an employee has a company car available for their private use, they are taxed on the benefit that this provides. A further tax charge arises under the benefit in kind legislation if the employer also provides fuel for private journeys in the company car, unless the car is an electric car. HMRC do not regard electricity as a fuel for the purposes of the fuel scale charge, and consequently, the employer can meet the cost of electricity for private travel in an electric company car without the employee suffering a further tax charge.

Where fuel is provided for private travel in a company car, other than an electric company car, the amount charged to tax in respect of the provision of that fuel is found by multiplying the appropriate percentage used to calculate the car benefit charge by the fuel multiplier for the tax year. This multiplier is set at £27,800 for 2023/24 and will remain at this level for 2024/25. Consequently, as for the car benefit charge, the higher the car's CO2 emissions, the higher the fuel benefit charge.

**A worthwhile benefit?**

The fuel benefit multiplier is high, and where the list price of the car is less than £27,800, an employee will pay more tax on the benefit of the fuel than on the benefit of the car itself. For example, if the car has an appropriate percentage of 20%, the amount charged to tax in respect of the fuel benefit for 2023/24 will be £5,560, costing a higher rate taxpayer £2,224 in tax. For a car with the maximum appropriate percentage of 37%, the amount charged to tax in respect of the fuel benefit is £10,286, costing a higher rate taxpayer £4,14,40 in tax.

Unless the amount spent on fuel for private travel is more than the tax charged on the benefit of it, the provision of fuel for private travel in a company car is not a worthwhile benefit.

**Electric company cars**

HMRC do not regard the provision of electricity for private travel in an electric company car as a fuel, and consequently no separate tax charge arises where the employer pays or provides the electricity. This is the case regardless of whether the employer pays for or provides charging facilities or reimburses the cost where this was initially met by the employee, including the employee's domestic electricity costs where the employee charges their car at home.

Consequently, the provision of electricity for private travel in an electric company car is a tax-free benefit.

**Avoiding the charge by 'making good'**

For cars other than electric cars, the provision of fuel is unlikely to be a tax-efficient benefit. The employee can avoid the charge if they 'make good' the cost of all fuel use for private travel in the tax year. It should be noted that the charge is an all or nothing charge – there is no reduction if the employee makes a contribution to the cost but does not repay fuel used for private travel in full.
To be effective in cancelling out the fuel scale benefit, the employee must make good the cost in full no later than 6 July following the end of the tax year. The employee can repay the private fuel costs using the HMRC's advisory fuel rates, which are available on the Gov.uk website at www.gov.uk/guidance/advisory-fuel-rates. The employee will need to keep records of total, business and private mileage. The employee can also repay the actual cost of the fuel if this can be identified.

**Withdrawing free fuel**

If the provision of private fuel is withdrawn during the year, a pro rata charge applies. However, if the provision of fuel for private travel is reinstated before the end of the tax year, the charge applies for the full year, not just the months for which the cost fuel for private travel was met by the employer.

**We can help**

Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.