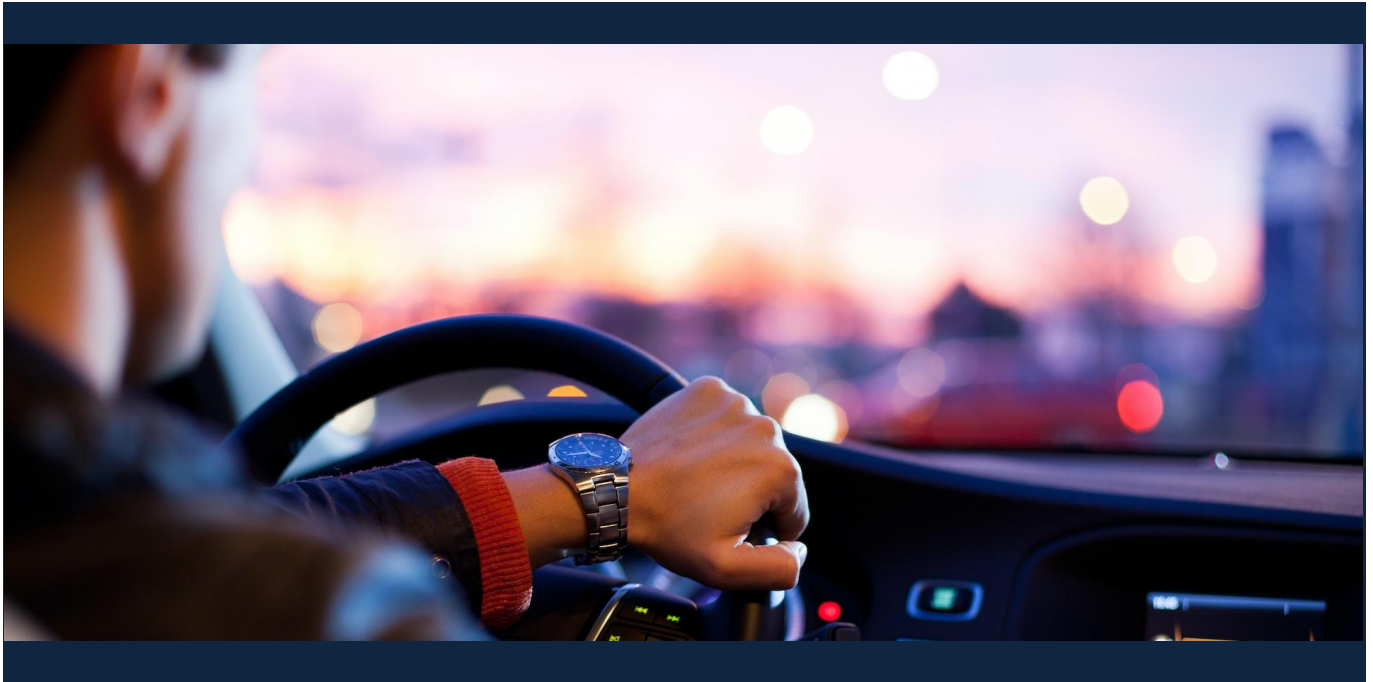


# Broadcast

01753 888211  
www.nhllp.com



A fuel benefit tax charge arises where the employer meets the cost of fuel for private journeys in a company car. However, this charge can be avoided if the employee ‘makes good’ the cost of fuel for private motoring.

## Key dates

To eliminate the fuel benefit charge, the cost of all fuel used for private motoring must be ‘made good’ by 6 July after the end of the tax year, i.e. by 6 July 2023 to cancel out the fuel benefit charge for 2022/23.

This note explains the nature of the fuel benefit charge and ‘making good’.

## Nature of the fuel benefit charge

The fuel benefit charge is a separate tax charge that applies where the employer meets the cost of fuel for private motoring in a company car. The charge can be expensive and unless private mileage is relatively high, it is unlikely to be a tax efficient benefit.

The amount that is charged to tax is found by multiplying the appropriate percentage for the car (found by reference to its CO<sub>2</sub> emissions, plus the diesel supplement where relevant) by the multiplier for the tax year. This was set at £25,300 for 2022/23 and increased to £27,800 for 2023/24.

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## Example

An employee has a company car with CO2 emissions of 60g/km. The appropriate percentage is 17% for 2022/23 and 2023/24. The employee's employer meets the cost of all fuel, including that for private journeys.

The amount charged to tax in respect of the benefit of the car fuel is £4,301 (17% of £25,300) for 2022/23. For 2023/24, the charge will be £4,726 (17% of £27,800).

If the provision of free fuel is withdrawn part way through the year, the charge is proportionately reduced. However, if free fuel is withdrawn but reinstated before the end of the tax year, the charge applies in full with no reduction.

The charge can be avoided if the employee reimburses the cost of all fuel for private journeys ('making good'). There is no reduction in the charge if the employee pays for some private fuel, but not all of it.

## No charge for electricity for electric cars

HMRC do not regard electricity as a 'fuel' for the purposes of the fuel benefit charge. Consequently, no tax charge arises if the employer meets the cost of electricity for private journeys in an electric company car. This can be a tax-efficient benefit.

## 'Making good'

The fuel benefit charge can be eliminated if the employee 'makes good' the cost of all fuel for private mileage. This must be done by 6 July after the end of the tax year to be effective – therefore, a deadline of 6 July 2023 applies to prevent a fuel benefit charge for arising for the 2022/23 tax year.

HMRC publish advisory fuel rates. These are available on the Gov.uk website and updated quarterly on 1 March, 1 June, 1 September and 1 December. These can be used to recover the cost of private mileage from the employee. The employee will need to keep mileage records of private journeys and business journeys and the cost attributable to private mileage can either be deducted from the employee's pay or the employee can make the necessary payment to the employer.

## Next Steps

To better understand the details in this Broadcast, please contact us on **01753 888211** or email **info@nhllp.com**, we would be happy to assist.