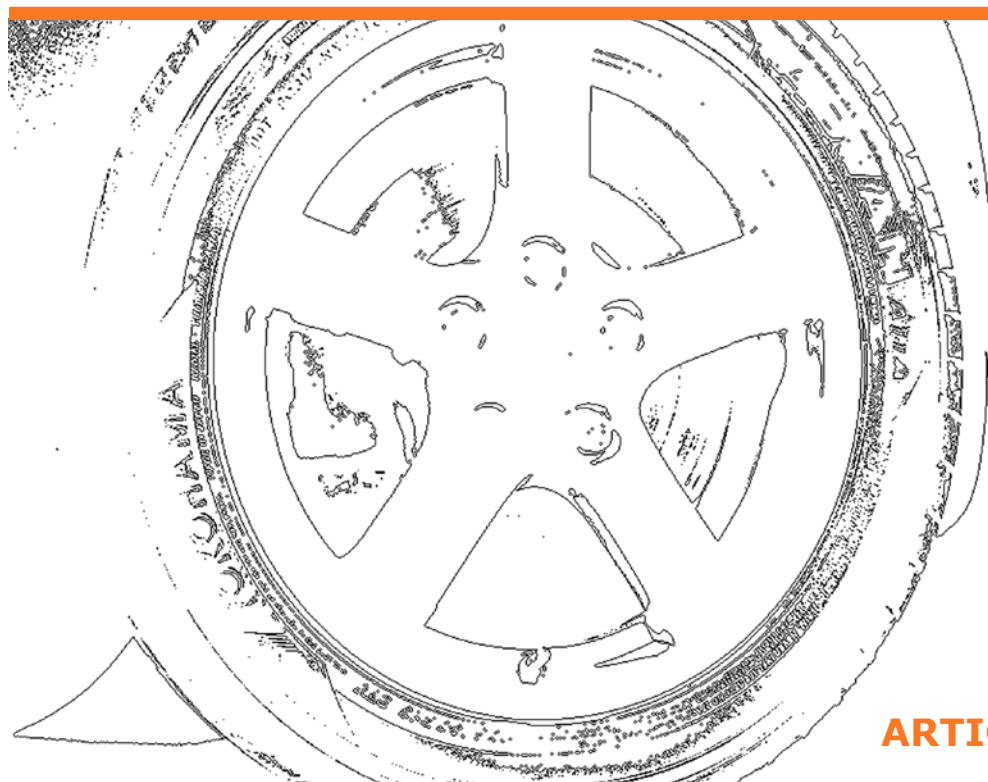


Knowledge

BANK



ARTICLE 35

Accounting for VAT on fuel

Accounting for VAT on fuel

Free private fuel

If you provide free private fuel to an employee HM Revenue and Customs taxes the benefit the employee receives. You may think this is quite enough tax on one benefit but HM Customs wants its share too.

Where free or cheap private fuel is provided, you have to account to HM Customs for output VAT on the fuel as if it was being sold to the employee. Rather than perform any complex calculations splitting the total mileage between business and private, the charge is based on a scale of charges related to the vehicle's CO2 emissions. It can be paid annually, quarterly or monthly.

The scale charge from 1 December 2008 is:

CO2 band g/km	Fuel scale charge	VAT	CO2 band g/km	Fuel scale charge	VAT	CO2 band g/km	Fuel scale charge	VAT
	1 month period	1 month period		3 month period	3 month period		12 month period	12 month period
120 or less	46	6	120 or less	138.00	18.00	120 or less	555.00	72.39
125	69	9	125	207.00	27.00	125	830.00	108.26
130	69	9	130	207.00	27.00	130	830.00	108.26
135	69	9	135	207.00	27.00	135	830.00	108.26
140	73	9.52	140	221.00	28.83	140	885.00	115.43
145	78	10.17	145	234.00	30.52	145	940.00	122.61
150	82	10.7	150	248.00	32.35	150	995.00	129.78
155	87	11.35	155	262.00	34.17	155	1,050.00	136.96
160	92	12	160	276.00	36.00	160	1,105.00	144.13
165	96	12.52	165	290.00	37.83	165	1,160.00	151.30
170	101	13.17	170	303.00	39.52	170	1,215.00	158.48
175	105	13.7	175	317.00	41.35	175	1,270.00	165.65
180	110	14.35	180	331.00	43.17	180	1,325.00	172.83
185	115	15	185	345.00	45.00	185	1,380.00	180.00
190	119	15.52	190	359.00	46.83	190	1,435.00	187.17
195	124	16.17	195	373.00	48.65	195	1,490.00	187.17
200	128	16.7	200	386.00	50.35	200	1,545.00	194.35
205	133	17.35	205	400.00	52.17	205	1,605.00	201.52
210	138	18	210	414.00	54.00	210	1,660.00	209.35
215	142	18.52	215	428.00	55.83	215	1,715.00	216.52
220	147	19.17	220	442.00	57.65	220	1,770.00	223.70
225	151	19.70	225	455.00	59.35	225	1,825.00	230.87
230	156	20.35	230	469.00	61.17	230	1,880.00	238.04
235 or more	161	21	235 or more	483.00	63.00	235 or more	1,935.00	245.22
								252.39

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If all of the fuel is used for business purposes the scale charge does not apply.

If your business is partially VAT exempt you can reduce these amounts by your partial exemption percentage.

So long as the VAT scale charges are applied you can recover 100% of the VAT paid on the purchase of vehicle fuel, without adjusting for any private use.

If you have a small business with few vehicles and low business mileage, you can ask your local VAT office for a special concession whereby you do not claim input VAT on fuel and you don't account for output tax using these VAT fuel scale charges. You can use this concession for all vehicles, not just cars.

Mileage allowances

If you pay a mileage allowance to an employee for business mileage driven, you can recover part of this as input VAT so long as you pay a reasonable amount. For this purpose, the motoring cost tables published by motoring organisations are considered reasonable.

You need to keep records to substantiate the claim, including details of the vehicle, engine size, miles travelled and how you have calculated the VAT recovery.

The calculation is:

$$\frac{\text{Miles covered}}{\text{x pence per litre x 15.0} \div 115.0} = \text{input VAT recoverable}$$

Miles per litre

To simplify the calculation you can use the new tax-free business mileage allowances published by HM Revenue and Customs.