



tax | revised advisory fuel rates for company cars

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HM Revenue and Customs (HMRC) have recently announced a revised advisory company car mileage rates. The rates, shown in the table below, took effect from 1 July 2009.

These rates, as previously, apply to business mileage driven in a company car on company business.

The new rates are:

Cylinder Capacity	Petrol	Diesel	LPG
1,400 or less	10p	10p	7p
1,401 to 2,000	12p	10p	8p
Over 2,000	18p	13p	12p

These mileage rates are effectively the only rates up to which a tax/NIC liability will not arise. Following recent announcements, it seems unlikely that arrangements between employers and local tax offices which vary these rates will be accepted.

HMRC still intend to review these rates twice a year. They will issue new rates one month in advance of the intended implementation dates of 1 January and 1 July.

HMRC will also consider changing the rates if fuel prices fluctuate by 5% during each six month period.

Any rates in excess of the new advisory rates are likely to give rise to a tax/NIC liability.

This will mean that the excess should be treated as follows:

- As a profit for tax purposes that should then be returned on form P11D.
- As earnings for NIC Class 1 which should be processed through the payroll.

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