

## **RECLAIMING VAT ON VEHICLE FUEL FOR BUSINESS USE**

As you will doubtless be aware for company directors, we always recommend that cars are owned personally, rather than via your company, due to the benefit in kind rules on “company cars”.

Mileage can be claimed from HMRC for business use of your private vehicle at the following rates:

First 10,000 miles pa	45 ppm (40p pre April 2011)
10,001 miles pa and over	25 ppm
Additional passengers (other than driver) (each)	5 ppm

You can also recover vat on the fuel element on this mileage. The fuel element is deemed by HMRC to be (effective from 1 March 2011):

Engine Size	Petrol	Diesel	LPG
1400 cc or less	14 ppm	13 ppm	10 ppm
1401-2000cc	16 ppm	13 ppm	12 ppm
Over 2000cc	23 ppm	16 ppm	17 ppm

There has been a long running dispute between the British Government/HMRC on one side and the EC on the other side about the right of businesses to re-cover this vat, the EC arguing the fuel was bought by the individual car owner, not the vat registered business, therefore vat recovery was not permissible.

This dispute has now been settled in the UKs favour, which means uncertainty on this point has been lifted and you can still recover vat on fuel for business use of private cars, using the above rates, indefinitely.

However it is now a requirement that vat invoices are obtained and retained for the fuel purchase. These can be “less detailed” vat invoices, basically a till receipt issued by a garage, or detailed vat receipts in which case they must be addressed to the vat registered business, not the individual.

These rules obviously apply to mileage by your staff as well.

These rules do not effect sole traders and partners claiming actual running costs on their cars.

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