



Company Car Drivers – The Car Fuel Benefit Charge

At first sight, company car drivers whose private fuel costs are met by their employers may seem to be onto a good thing, but there is a nasty tax hit - the Car Fuel Benefit charge.

To give an example:

The list price of your car when new was £30,000 and your employer pays for all your private fuel. The car has a 2000cc diesel engine and CO2 emissions of 147 g/km. The 2019-20 benefit in kind charge for the use of the car (this is added to your taxable income for the year) is £9,900. This would cost a standard rate taxpayer £165 a month in Income Tax. But then the provision of private fuel would trigger an additional Car Fuel Benefit charge of £7,953. This would cost a standard rate taxpayer an extra £133 a month.

However, it is possible to reimburse your employer for private fuel provided and avoid this Car Fuel Benefit charge completely. To do this you would first need to calculate your private mileage for the 2019-20 tax year. Unfortunately this can't be estimated, you would need to create evidence, such as a mileage log. Next multiply this private mileage by HMRC's Advisory Fuel Rate. The present rate per mile for a 2000 cc diesel car is 11p.

Once you have this information it is possible to work out which is the most financially viable option for you. Using this example - if the driver's private mileage was 5,000 miles during 2019-20, the amount that needs to be repaid to the employer is £550. That's just £46 per month.

This means that for an effective outlay of £550, the car driver – if a basic rate tax payer – will save £1,593 in tax (£7,953 x 20%), meaning an overall cash saving of £1,043.

If you are receiving private fuel from your employer it is well worth crunching the numbers to see if there is a cash advantage to repaying any private fuel. There are deadlines to consider and so we would recommend that you speak to your accountant to help you with the reporting processes required.

If you are an employer the Car Fuel Benefit Charge not only creates a tax charge for the employee, it also creates a National Insurance charge for you. So, by allowing employees to repay their private fuel costs this will also reduce your NIC costs.