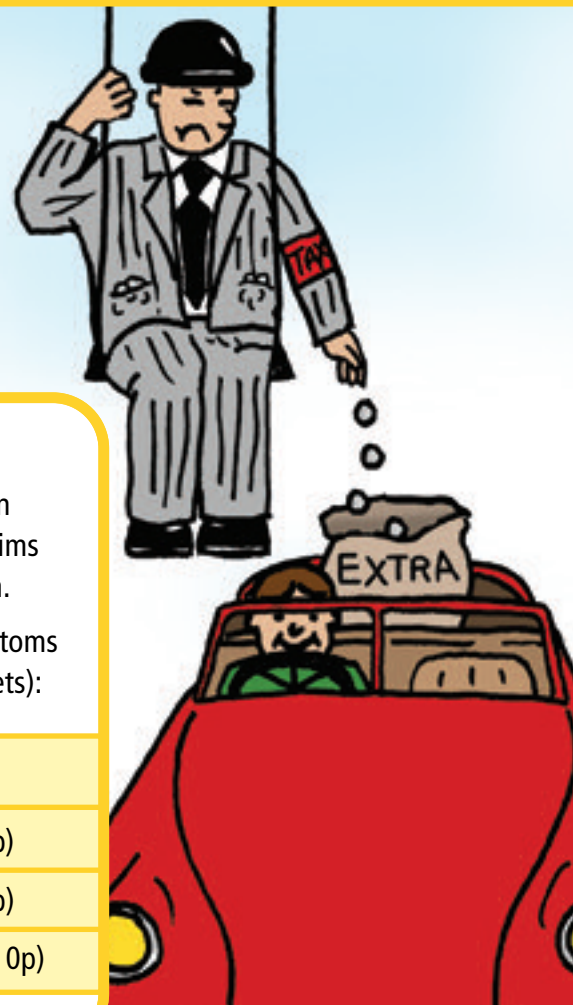


Tax-Free Business Mileage Rates

A few extra pennies from the Taxman



Money-saving update on company car fuel

In Topical Tips 53 and 69 we dealt with the important saving available if an employee chooses to pay for all fuel in their company vehicle and then claims back money to cover the fuel cost for only the actual business miles driven.

With effect from 1 July 2006 the new rates allowed by HM Revenue & Customs ("HMRC") have been revised upwards as shown below (old rates in brackets):

Engine size	Petrol	Diesel	LPG
1,400cc or less	11p (10p)	10p (9p)	7p (7p)
1,401cc to 2,000cc	13p (12p)	10p (9p)	8p (8p)
Over 2,000cc	18p (16p)	14p (13p)	11p (10p)

Remember, employer and employee can benefit

In the example quoted in TT53 we showed that an employee will be break-even, even if they pay for their private fuel, by saving the income tax they otherwise would have suffered. The company is substantially better off and can afford to compensate the employee for the change, whilst still making substantial savings.

Barnes Roffe Topical Tips

- Review all staff members' petrol arrangements immediately to see how much you could save (see TT53 for details of the calculation).
- Remember that under the new rules you can change the employee's arrangement and cease paying for all fuel during the fiscal year – you do not have to wait until 5 April to do so.
- You must keep detailed records of mileage claimed (date, amount, car engine size and reason for the journey) to satisfy any future HMRC visit.
- If you have a specific vehicle that substantially differs from the above, then it is possible to ask your local PAYE office for their agreement to using a different rate for that vehicle.

Please contact your Barnes Roffe LLP partner for assistance on this important matter.