



# VAT & BUSINESS CARS DECEMBER 2015

## PRIVATE MILEAGE IN BUSINESS CARS

Fuel Scale Charges are used to account for VAT on the private use of cars.

The rates for VAT returns beginning on or after 1 May 2015 and the figures for the VAT due and net values for monthly, quarterly returns and annual returns are shown overleaf.

## BUSINESS MILEAGE IN PRIVATE CARS

Where employees are reimbursed for business mileage in their private cars input VAT can be reclaimed on the fuel element included in the mileage rate.

The rates reflect fluctuations in fuel prices and are now to be reviewed quarterly on 1 March, 1 June, 1 September and 1 December.

Care is needed here as there are now different engine size bandings for diesel engines.

The current rates, applicable from 1 December 2015 are:

| Engine size      | Petrol | LPG |
|------------------|--------|-----|
| 1400cc or less   | 11p    | 7p  |
| 1401cc to 2000cc | 13p    | 9p  |
| Over 2000cc      | 20p    | 13p |

| Engine size      | Diesel |
|------------------|--------|
| 1600cc or less   | 9p     |
| 1601cc to 2000cc | 11p    |
| Over 2000cc      | 13p    |

Hybrid cars are treated as either petrol or diesel cars for this purpose.

A claim is based on business miles x the appropriate rate x the VAT fraction currently in force.

e.g. for a business journey undertaken on 2 December 2015:

100 business miles in a 2.3 petrol engine car would give a calculation of:

$100 \times 20p \times 1/6 =$  a VAT claim of £3.33 (Based on the 20% standard rate of VAT)

Please note that receipts (less detailed or full tax invoices) must be retained to support the VAT claimed.

## CONTRACT HIRE AGREEMENTS

VAT claims on lease hire charges are subject to a 50% restriction when the car is used for both business and private purposes. The VAT incurred on optional maintenance contracts is fully recoverable when these are separately described in the hire agreement and are genuinely optional.

## VAT FUEL SCALE CHARGES

For VAT accounting periods beginning on or after 1 May 2015

| CO2 Band    | 1 month period |             |        | CO2 Band    | 3 month period |             |        | CO2 Band    | 12 month period |             |          |
|-------------|----------------|-------------|--------|-------------|----------------|-------------|--------|-------------|-----------------|-------------|----------|
|             | Scale charge   | VAT element | Net    |             | Scale charge   | VAT element | Net    |             | Scale charge    | VAT element | Net      |
|             |                | Box 1       | Box 6  |             |                | Box 1       | Box 6  |             |                 | Box 1       | Box 6    |
| 120 or less | 44             | 7.33        | 36.67  | 120 or less | 133            | 22.17       | 110.83 | 120 or less | 536             | 89.33       | 446.67   |
| 125         | 66             | 11.00       | 55.00  | 125         | 200            | 33.33       | 166.67 | 125         | 802             | 133.67      | 668.33   |
| 130         | 70             | 11.67       | 58.33  | 130         | 213            | 35.50       | 177.50 | 130         | 857             | 142.83      | 714.17   |
| 135         | 75             | 12.50       | 62.50  | 135         | 227            | 37.83       | 189.17 | 135         | 909             | 151.50      | 757.50   |
| 140         | 80             | 13.33       | 66.67  | 140         | 240            | 40.00       | 200.00 | 140         | 965             | 160.83      | 804.17   |
| 145         | 84             | 14.00       | 70.00  | 145         | 254            | 42.33       | 211.67 | 145         | 1,016           | 169.33      | 846.67   |
| 150         | 88             | 14.67       | 73.33  | 150         | 267            | 44.50       | 222.50 | 150         | 1,072           | 178.67      | 893.33   |
| 155         | 93             | 15.50       | 77.50  | 155         | 281            | 46.83       | 234.17 | 155         | 1,123           | 187.17      | 935.83   |
| 160         | 97             | 16.17       | 80.83  | 160         | 294            | 49.00       | 245.00 | 160         | 1,179           | 196.50      | 982.50   |
| 165         | 102            | 17.00       | 85.00  | 165         | 308            | 51.33       | 256.67 | 165         | 1,231           | 205.17      | 1,025.83 |
| 170         | 106            | 17.67       | 88.33  | 170         | 320            | 53.33       | 266.67 | 170         | 1,286           | 214.33      | 1,071.67 |
| 175         | 111            | 18.50       | 92.50  | 175         | 334            | 55.67       | 278.33 | 175         | 1,338           | 223.00      | 1,115.00 |
| 180         | 115            | 19.17       | 95.83  | 180         | 347            | 57.83       | 289.17 | 180         | 1,393           | 232.17      | 1,160.83 |
| 185         | 119            | 19.83       | 99.17  | 185         | 361            | 60.17       | 300.83 | 185         | 1,445           | 240.83      | 1,204.17 |
| 190         | 124            | 20.67       | 103.33 | 190         | 374            | 62.33       | 311.67 | 190         | 1,501           | 250.17      | 1,250.83 |
| 195         | 129            | 21.50       | 107.50 | 195         | 388            | 64.67       | 323.33 | 195         | 1,552           | 258.67      | 1,293.33 |
| 200         | 133            | 22.17       | 110.83 | 200         | 401            | 66.83       | 334.17 | 200         | 1,608           | 268.00      | 1,340.00 |
| 205         | 138            | 23.00       | 115.00 | 205         | 415            | 69.17       | 345.83 | 205         | 1,660           | 276.67      | 1,383.33 |
| 210         | 142            | 23.67       | 118.33 | 210         | 428            | 71.33       | 356.67 | 210         | 1,715           | 285.83      | 1,429.17 |
| 215         | 146            | 24.33       | 121.67 | 215         | 441            | 73.50       | 367.50 | 215         | 1,767           | 294.50      | 1,472.50 |
| 220         | 151            | 25.17       | 125.83 | 220         | 455            | 75.83       | 379.17 | 220         | 1,822           | 303.67      | 1,518.33 |
| 225 or more | 155            | 25.83       | 129.17 | 225 or more | 468            | 78.00       | 390.00 | 225 or more | 1,874           | 312.33      | 1,561.67 |

The scale charge for a particular vehicle is determined by its CO<sub>2</sub> emissions figure.

Where the CO<sub>2</sub> emissions figure of a vehicle is not a multiple of five, the figure is rounded down to the next multiple of five to determine the level of charge.

For a bi-fuel vehicle which has two CO<sub>2</sub> emissions figures, the lower of the two figures should be used.

For cars which are too old to have a CO<sub>2</sub> emissions figure, you should identify the CO<sub>2</sub> band based on engine size as follows:

If its cylinder capacity is 1400cc or less, use CO<sub>2</sub> band 140;

If its cylinder capacity exceeds 1400cc but does not exceed 2,000cc, use CO<sub>2</sub> band 175;

If its cylinder capacity exceeds 2,000cc, use CO<sub>2</sub> band 225 or above.



### FURTHER ASSISTANCE

If you need assistance with any of the above, or any other VAT issue please contact Andy Branson or your usual Albert Goodman contact.

Andy is part of our Tax Consulting team, which provides high-level skills across all direct and indirect taxes.

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