

SHOULD EMPLOYEES REIMBURSE THEIR EMPLOYER FOR PRIVATE FUEL?

Where a company car is provided for use by an employee or director there is a benefit in kind taxable on the employee based on the original list price of the vehicle multiplied by the CO2 emissions percentage for that vehicle. There is an additional benefit in kind where private fuel is paid for by the employer, which also needs to be reported on form P11d unless the employer has arranged with HMRC to deal with the tax on the benefits via monthly payroll.

Note that unless the employee fully reimburses the employer for private mileage, the additional benefit in kind is based on a notional list price of £27,800 multiplied by the CO2 emissions percentage for that vehicle. That could be as much as 37%, £10,286 for a car with high CO2 emissions. That would mean £4,114 income tax for a higher rate taxpayer. That would be an awful lot of fuel!

In addition, there would be £1,419 class 1A national insurance contributions payable by the employer.

Note that this is an all or nothing benefit and, unless there is full reimbursement, there is an additional taxable benefit. The deadline for reimbursing private fuel is 6 July 2024 for the 2023/24 tax year.