



E-Update: March 2010

This month Robert Bradley takes a look at fuel benefits, getting the VAT back on motoring costs and making sure that your PAYE Code is correct.

Fuel benefits

Note that a fuel benefit charge applies where, by reason of the employment, a company car is made available for private use and any fuel is provided for it. The charge is reduced to nil if fuel is made available only for business travel or in the tax year, the employee is required to make good the whole cost of the fuel used for private motoring (including travel between home and work) and actually does so. No charge is incurred if a mileage allowance is paid covering no more than the cost of fuel used on business travel. You can now have the benefit of a company car at a reasonable cost, given the favourable benefit-in-kind treatment given to low emission cars, and also claim the cost of fuel for business journeys.

Getting the VAT back on motoring costs

If you are VAT registered and use your own car for business purposes as an employee you can reclaim the VAT paid on the maintenance costs, even if the car does not belong to your company, subject to the bill being in the company's name and being paid by the company. This will be beneficial where your business mileage only amounts to a small proportion of the total mileage, and the company only reimburses you for the fuel you use. Note that if the company pays an allowance amounting to more than the cost of the fuel he used for business, it would not be allowed to recover the VAT on the servicing costs.

If you are self-employed or a partnership, the VAT position on cars is even more generous. While you can only claim a deduction in your accounts for the business proportion of your motor running expenses, you are allowed to claim back 100% of the VAT you have paid on them. This excludes fuel, to which the fuel scale charge should be applied.

Is your PAYE Code correct?

There have been many reports of HMRC sending out incorrect tax codes. This is sometimes due to the fact that the information available to the taxman is out of date but often due to HMRC errors. Look out for benefit in kinds from previous employments that no longer apply and changes to benefits that have not been implemented such as changes in company cars notified to them.

Note also that currently HMRC can adjust your code to collect tax on income that the PAYE system doesn't apply to directly, e.g. higher rates tax on interest received. You can, however, insist that HMRC remove all adjustments from your code that are currently there to collect tax on non-employment income. Overall your tax bill isn't affected, but it means you'll be deferring payment until the tax becomes payable under Self-Assessment.

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