

Directions

Manager

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Private Mileage and Free Fuel Managers Advice

With high oil prices making free fuel a more costly benefit to offer, some employers are considering whether to withdraw it across the board for all their drivers.

If companies currently reimburse employees for their private mileage this can be costly for both as the driver receives a taxable benefit and the employer not only pays for the private fuel but also has to pay Class 1 National Insurance (NI).



Companies should assess employees on an individual basis, according to their car's g/km of CO² and annual private mileage, rather than taking an across the board decision on keeping or removing free fuel benefit.

Assess Employees Individually

Free fuel can be an attractive part of a benefits package for many employees but the value depends on the number of private miles they drive each year. The higher the private mileage, the more benefit the employee gets from free fuel.

In a typical example:

- a 40% taxpayer
- driving a Mondeo 2.0 TDCI
- achieving 47 mpg
- would need to travel approximately 13,000 private miles before breaking even (if the cost of fuel equals the BIK tax)

It may seem an onerous task to look at individual employees circumstances but it will help to motivate

them to drive cheaper and more environmentally friendly vehicles and take more responsibility for their own personal tax situation, thus achieving an overall reduction in costs. A calculator is available at www.arval.co.uk (see Tools and Information, Fuel Benefit Tax Calculator) to help drivers make an informed choice.

Removal of Private Fuel Benefit

Whether an employer or the employee should continue with reimbursing their private mileage will be dependent on:

- Number of private miles driven
- Vehicle CO² g/km
- MPG
- Fuel type
- Cost of fuel
- Driver tax rate

Example of potential company savings of removing Private Fuel Benefit on a car with CO² 155 gkm (22% taxpayer).

Annual private miles	10,500
Drivers annual fuel scale charge tax	£665.28
based on diesel	
Actual fuel cost at 45 mpg and 92p	£975.87
per litre	
Employers NI on fuel scale charge	£387.07
Total cost to business (p.a.)	£1362.95
Cost to buy driver out of private fuel	
Cost of fuel	£975.87
Less fuel scale charge saved	-£665.28
Amount of net cash driver needs	£310.59
Gross up of net cash (22% tax and	£152.98
11% NI)	
Employer NI on Gross Up	£19.58
Total Buy Out cost to employer (p.a.)	£483.16
Annual saving to employer on buying	£879.79
out Free Fuel	

All business drivers can use fuel cards, regardless of whether they drive a company car or whether they receive free fuel.

Fuel cards help businesses manage their fuel costs by improving their control over purchasing, streamlining administration, and simplifying VAT accounting and providing in-depth management information.



