

## **How to claim VAT on mileage expenses**

If your employee drives their own car for business and submits a claim for mileage expenses at £0.45 per mile, the current HMRC Approved Mileage Rate, then your business can claim VAT on the fuel portion of the mileage expense if your business is VAT registered this, obviously, does not include the flat rate scheme.

So, when an employee or even the business owner uses their own vehicle for any business trips, they can claim an allowance for their mileage. The HMRC recommended rates are currently:

Cars & Vans - £0.45 per mile for the first 10,000 miles, reducing to £0.25 per mile after this.  
Motorcycles - £0.24 for all mileage.

These rates also apply to HMRC Simplified Expenses for the self-employed.

### **Claiming VAT on the fuel portion of the mileage expense**

The Approved Mileage Allowance Payment is intended to cover the cost of fuel, wear and tear, insurance and vehicle tax incurred by the driver on business trips. It is only the VAT on the cost of fuel element that can be reclaimed by the business. The easiest way is to use the Advisory Fuel Rates, published by HMRC.

### **HMRC Advisory Fuel Rates**

The Advisory Fuel Rates are defined by HMRC as the amount that can be paid, tax-free, to company car drivers who pay for their own fuel.

The rate depends on the type of fuel (petrol, diesel or LPG) and the size of the engine, for your car, van or motorbike. For hybrid cars, use the relevant fuel type.



Engine size	Petrol – amount per mile
1400cc or less	12 pence
1401cc to 2000cc	15 pence
Over 2000cc	22 pence

Engine size	Diesel – amount per mile
1600cc or less	10 pence
1601cc to 2000cc	12 pence
Over 2000cc	14 pence

Engine size	LPG – amount per mile
1400cc or less	8 pence
1401cc to 2000cc	10 pence
Over 2000cc	15 pence

Please note the above rates are applicable from December 2018 – February 2019, these are updated quarterly by HMRC so you should always check that you have applied the correct rate for the period concerned. You can check that you are using the correct rate using this link: <https://www.gov.uk/government/publications/advisory-fuel>

### **Caveats**

Before we look at how to calculate this it is important to note that there are a few caveats that must be checked.

- The drivers must be employed by the company, i.e. not contract staff. This is because contract staff are employed by a different business and your own business cannot claim the VAT input tax on behalf of a different business.
- You must be paying your staff a mileage allowance for driving their own vehicle for business. The mileage allowance must cover the fuel portion of the mileage claim.



- If you drive outside the UK on business, you can't claim the VAT on the fuel purchased outside the UK. Only receipts for fuel purchased in the UK can be used to reclaim VAT input tax.

## Calculating the VAT

### The Formula

The formula for calculating the VAT on mileage is:

**Fuel portion** = advisory fuel rate x business miles claimed

**VAT** = fuel portion / 6

Hence:

**VAT on mileage** = (advisory fuel rate x business miles claimed) / 6

(N.B. The fuel portion is divided by 6 as the fuel portion already includes VAT at 20% ie 20/120=6).

### Fuel Receipts to Support Claiming VAT on Mileage

We are often asked whether fuel receipts need to be kept as the claim isn't for the actual fuel purchased. The answer, I am afraid is yes, you must keep the fuel receipts if you want to claim the VAT on the mileage expenses and the dates on the fuel receipts **must** be before the end date of the claim.

A claim should only be made if supported by receipts. In the event of a VAT inspection, HMRC may refuse the claim if the VAT receipts are missing. And HMRC may levy penalties for incorrect returns. HMRC do have discretion to accept a claim where the evidence is missing and other evidence of the purchase is available (VAT Regulations 1995, s. 29; see HMRC's VAT Input Manual [VIT31200](#)) – but, it is safer and simpler not to rely on this and keep the receipts.

