

A government fuel subsidy?

Recovering the VAT paid on most business expenses requires hard evidence and can be something of a chore. But, given the size of the annual fuel bill, isn't it worth at least considering making a claim for this expenditure?

Yes - it's worth it!

If the business pays for the fuel directly by using a fuel card system or has an account at a local garage it will get an invoice showing how much VAT it has been charged.

With mileage claims, however, the bottom line is that, if a business is VAT-registered, it's missing a potentially big rebate from the government for every business mile travelled. The business can claim the VAT back for all employee business mileage irrespective of who owns the car.

Up-to-three-year bonus

If a VAT registered business hasn't made a claim before, the good news is that it can go back up to three years and put a claim in now to the VATman. You should have all the mileage figures you need - from summaries of employee mileage claims. If the claim is under £2,000, you don't have to notify the VATman in writing of what you are doing.

Evidence

For most input VAT claims that are included on a VAT return, valid "VAT invoices" are required. The return is sent in advising the VATman how much is owed or due to be refunded. This is all done on the basis of trust. If the VATman comes to visit, the figures used to make the claim will have to be proved!

Tip. For claiming VAT back on mileage claims all that's needed are the expense claim forms and a record of some simple calculations. Simply reclaim it via the VAT return by adding an additional figure to your VAT inputs box.



Use our simple short-cut to claiming VAT back on your business fuel each VAT period. It needs very little evidence to support it and you can back-date claims by up to three years! Why miss out?

The method

Step 1. Calculate how much of the average mileage claim is for fuel. If a car is averaging 10 miles to the litre and the petrol cost is 84p per litre then for every mile driven the fuel cost is 8.4p. Treat this as inclusive of VAT and claim back 1.25p per mile ($8.4p \times 17.5 / 117.5$). But don't use this for every claim - the business probably has a variety of cars with different fuel consumption figures.

Tip 1. Avoid arousing suspicion by selecting a sample of claims to arrive at an average figure for your business - but take the average across the most-used cars, e.g. the BMW not the Corsa.

Tip 2. Make sure that the figures used in the calculation are reviewed from time to time. If the cost of fuel continues to rise you can claim a bit more. As long as there's a credible figure any reasonable VAT officer will accept it.

Step 2. Simply multiply the mileage claimed in a VAT return period by the VAT recovery figure from Step 1. If, for example, you travel 2,000 business miles in a VAT quarter, then at 1.25p per mile, the business can reclaim £25 a quarter.

Short cut

Even if you use the Taxman's mileage rates (e.g. 40p per mile for the first £10,000 and 25p thereafter), you can still recover the VAT paid on the *fuel* element of this. A simple way to reclaim VAT on the fuel element is to just multiply the company's business miles by the so-called fuel-only rate and claim 17.5/117.5 of this figure.

 **For a list of these fuel-only rates visit** <http://tax.indicator.co.uk> (TX 05.04.05D).