

There are a number of situations where care should be taken in the way in which claims are made for the business use of a vehicle, usually a car, which is also used for private purposes.

We have listed below a number of issues that business owners and private car users should be aware.

1. If you are self-employed and your business assets include a car you should be reducing your claim for capital allowances, loan and HP interest and running costs based on your private use of the vehicle. The percentage added back should be based on a record of your private and total mileage. On enquiry, HMRC are unlikely to accept a private or business use percentage unless it is backed up by a detailed mileage log.
2. Alternatively, if you are self-employed, and if your business turnover does not exceed the VAT registration threshold (currently £81,000) you can use the fixed mileage rates referred to below. These do not cover loan interest and this can also be claimed subject to restriction for private use based on private and total mileage for the period claimed.
3. If you are employed and your employer requires that you use your own vehicle for business trips there are two aspects to consider: the rate per mile you are paid (HMRC allows you to receive up to 45p per mile for the first 10,000 business miles each tax year and 25p per mile thereafter) and the number of miles you claim. The 45p/25p rates are the maximum claim HMRC will allow. Employers are free to pay up to this limit without triggering benefit-in-kind issues. Again journeys should be logged and recorded to evidence the number of miles claimed.
4. If you have the use of a company car and your employer pays for your private petrol you will be liable to a hefty benefit-in-kind charge. You can eliminate this charge if you reimburse your employer for the cost of private petrol provided. Usually, the cost of any such reimbursement will be lower than the tax charge created by the benefit-in-kind assessment. The reimbursement can be calculated using the 'advisory fuel rates' on HMRC's website and you will need to log your private mileage.
5. If your company provides you with a company car, and if you use the vehicle for business and private purposes, then you will be taxed on the deemed benefit. The amount of the benefit-in-kind charge will depend on the CO2 emissions of the vehicle you use. The rates of benefit vary between 0% and 35% of the list price of the vehicle when new. If you presently drive a car with a high CO2 rating you may want to consider trading it in for a lower CO2 rated model.

You will need to provide evidence should HMRC visit and select mileage claims for audit. Generally speaking you should:

- Record the postcode at the beginning and end of the journey so an accurate check can be made of mileage claimed. London to Birmingham would be too vague.
- The business miles claimed should not be rounded.
- Home to work mileage should be excluded.