

## New rules for contractors using company cars

Contractors who have opted to run their car through their business will benefit from [new Advisory Fuel Rates announced by HMRC this month](#). But many others will be left without any form of HMRC support to help them cope with this year's unprecedented rise in fuel prices.

The new [company car](#) rates have increased to 17p for an average two litre diesel car. However, the rates for drivers who use their own vehicles for business travel remain unchanged. They were originally set in 2002, then the average price of unleaded was 69.9p per litre. Yet at the time of writing, UK petrol retailers are currently charging between 113.9 and 199.99 per litre of unleaded.

The [Chartered Institute of Taxation](#) has called for HMRC to review the rates for drivers using their own vehicles for business, which have remained at 40p per mile for the first 10,000 miles for six years.

Contractors who use their own vehicles to travel to clients' sites are currently seriously out of pocket as the rates are supposed to not only cover the cost of fuel, but also to allow for 'wear and tear' and depreciation of private vehicles.

The campaign by the Chartered Institute of Taxation aims to force ministers to review the personal [Advisory Fuel Rates \(AFRs\)](#) to reflect the high price of fuel at the pumps.

Chairman of the Institute's Employment Taxes Sub-Committee, Colin Ben-Nathan, says: "We welcome the changes made in relation to the AFRs but would suggest that with the recent significant increase in fuel costs it is time for Ministers to look again at the statutory AMAP [Authorised Mileage Allowance Payment] rates of 40p/25p per mile for those using their own cars for business travel."

An increase in the personal rates would benefit all contractors who use their own cars to visit their clients' premises. Legitimate business travel can account for a significant amount of outgoings for the average contractor and the current 40p per mile simply does not cover costs.

A [briefing note](#) published by the Institute of Fiscal Studies highlights how fuel prices grew steadily from 40p per litre in 1990 and cites taxation, as well as oil prices, as the major driver behind the prices rises.

Calculations by [Petrolprices.com](#) show that, in 2007, a whopping 63.7p of the average pump price of 95.1p went to the government as tax. During the nineties, increases in the price of fuel were totally driven by increases in tax.

Recent appeals to the government to cut tax on fuel have largely been ignored, despite the knock-on effects on prices of everything transported by road.

Whatever happens to allowances in the shorter term, longer term forecasts shows that high fuel prices are likely to remain with us. The [International Energy Agency \(IEA\)](#) warns that by 2015, global demand for oil will outstrip supply.

So, the future for contractors who rely on their cars for business is looking bleak and as fuel costs escalate, the UK's flexible workforce, which is so attractive for inward investors, may lose its mobility.

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