ELECTRIC VEHICLE FUEL RATES – A TMC GUIDE

At present, HMRC does not recognise electric charging and its associated costs as a fuel expense but they do recognise that employees should be reimbursed for the costs they incur for business travel.

For combustion engine vehicles, employers can reimburse their employees for either the actual cost or (for simplification purposes) use the Advisory Fuel Rates (AFRs) or Approved Mileage Allowance Payments (AMAPs). This is also true for any form of electric vehicle – either pure EV or a plug in hybrid (PHEV).

AFRs are normally paid when an employee receives a car allowance and therefore cover the fuel cost only.

AMAP rates tend to be paid when an employee does not receive a car allowance. These rates include the cost of running a car (depreciation, maintenance, insurance) as well as the fuel cost.

When reimbursing employees who drive EVs or PHEVs as a company car or on a car allowance, the following options can be applied;

PURE EV

1. Pay the relevant AFR rate, based on the lower of the petrol or diesel tariff.

2. Pay the calculated cost of the electricity used from a domestic supply. This can be calculated by using the manufacturers published range based on NEDC and the kWh rating of the battery. For example, a Nissan Leaf with a 30kWh battery has a range under NEDC of 155 miles. Mathematically this gives a mileage per kWh of 5.17. Taking the overall UK unit price of 14p per kWh (from national cost statistics) and dividing it into the 5.17 miles this would equal 2.7p/mile. If you apply the same 15% reduction for real world conditions used in AFR calculation, then miles per kWh drops to 4.14 and therefore a pence per mile of 3p. TMC's system automatically calculates this when the employee makes the claim.

3. Pay a rate that can be calculated accurately as a true cost to the employee. This will need to be substantiated if subject to a Revenue audit.

PHEV

1. Pay the relevant AFR/ AMAP rate, based on the petrol or diesel engine.
2. Based on battery range pay the first 20-30 miles of each trip using the cost of the electricity (as calculated for EVs) then pay the full AFR for the remaining element of the trip.
3. Pay a blended figure of the EV and AFR rate that can be audited fully.
4. Pay a rate that can be calculated accurately as a true cost to the employee. This will need to be substantiated if subject to a Revenue audit.

As for employees who do not receive a company car allowance, a guide to reimbursement here would be to;

PURE EV

1. Pay the AMAP rate (this is the same for all fuel types).
2. Pay the AMAP rate less the AFR rate and then add the relevant EV fuel cost, as highlighted in the AFR section.
3. Pay a rate that can be calculated accurately as a true cost to the employee. This will need to be substantiated if subject to a Revenue audit.

PHEV

1. Pay the AMAP rate (this is the same for all fuel types).
2. For the first 20-30 miles of each trip, depending on NEDC battery range, pay the AMAP less relevant AFR rate, then add the pence-per-mile cost of electricity. Then pay the full AMAP rates for the remainder of the trip.
3. Pay a rate that can be calculated accurately as a true cost to the employee. This will need to be substantiated if subject to a Revenue audit.

When offering PHEV and EV's on fleet, it is essential to set a strategy around how the vehicles will be charged. For example, TMC recommend that no employee is issued with a ULEV unless a residential charging unit is installed at their home.