

TAXREP 1/02

EMPLOYER-PROVIDED FUEL

*Text of a letter submitted in January 2002 to the Revenue by the Tax Faculty of the
Institute of Chartered Accountants in England and Wales in response to an
invitation to comment issued in December 2001*

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INTRODUCTION

1. We welcome the opportunity to comment on the proposals in the consultation paper issued in December 2001.

GENERAL COMMENTS

2. We consider that in making amendments to the way in which benefits-in-kind are calculated and setting up a regime for employer-provided fuel, a principal criterion, in conjunction with achieving the government's aim of encouraging the use of environmentally-friendly transport, should be to make life simple for employers. We therefore consider that option 2 will be the best. We suggest that the fuel benefit should be apportioned in the same way as is car benefit where fuel is not provided throughout the tax year and we see no reason why this should not take effect from 6 April 2002.

RESPONSES TO SPECIFIC QUESTIONS

- 1) Which of the three options do you prefer and why?
3. We agree that it makes sense to restructure the fuel scale charge to come into line with the car charge. However, we are concerned that this will impose yet another calculation that employers completing P11Ds will have to learn about.
4. We therefore suggest that that the calculation should be capable of being made on the face of the P11D and not through yet another supporting worksheet. This points to option 2 as the most desirable method so that, where the car and fuel have been provided for the same period (see response to questions 5 and 6), all that will be necessary will be to take the already-calculated percentage and multiply it by a fixed amount that could be printed on the face of the P11D. The alternative would be to multiply the CO₂ emission rating by the same amount for all ratings but using the rating will not be as effective in targeting low-emission cars as using the percentage which will have been adjusted to take emissions into account.
5. Any of the other suggested variants serve merely to complicate the calculation by forcing the P11D preparer to resort to additional tables for no apparent benefits to the taxpayer or the Revenue.
6. Following our suggestion should mean that there is no additional burden in preparing P11Ds and it may slightly reduce the time taken.
- 2) Which option do you think will have the biggest environmental impact?
7. We believe the choice of option will have minimal environmental impact as the car benefit regime is already targeting this.
- 3) What would be the administrative implications of each option for an employer and employees?

8. The advantages of option 2 are covered in our response to the first question. Option 3 contains broad bands and is superficially simple but this and option 1 would mean that employers would have to consult other sources in order to arrive at the figure to put in the P11D.
- 4) Do you think this is the best option?
9. For cars without CO₂ data, the solution suggested in the consultation paper is the only one that is practical.
- 5) Do you think that it would be helpful if the government were to allow the charge to be proportionately reduced where an employee stops receiving free fuel part way through the year? and
- 6) Would this remove an obstacle that presently makes it unattractive for employees or employers to move away from providing or accepting free fuel during a financial year?
10. Whilst the current system is simple and should be well understood, it is arbitrary and does make it unattractive for employees or employers to move away from providing or accepting free fuel during a financial year. The usual time that employers and employees will be aware of and therefore think about the cost is when they respectively complete or receive copy forms P11D. As this is early in the tax year there is no incentive to make a change at that time if the benefit-in-kind is going to be computed on a full year's figure.
11. We recommend therefore that the charge be proportionately reduced on the same basis as for employer-provided cars where an employee stops receiving free fuel part way through the year, and that this change takes effect from the date that the new car benefit regime comes into force, namely 6 April 2002.

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