



BEV mileage rates Chris Endacott

Background

There are situations where you may want to pay a mileage rate (£/mile) to the driver of a battery electric vehicle (BEV) that is used for business but is charged at home from their domestic supply:

- Company car business miles
- Lease scheme car business miles
- Salary sacrifice car business miles
- Business van charged at home
- “Grey fleet” private car

The “grey fleet” privately owned BEV should be reimbursed at the same rate as an ICE vehicle, ideally using the [HMRC Approved Mileage Rate](#) (AMR) of £0.45/mile (up to 10,000 miles) as it is free of both income tax and national insurance.

This advisory covers the vehicles owned by or leased to the organisation. It does not cover the reimbursement of vehicles charged at public charge points or by a mix of domestic and public charge points. Mixed charging is more complicated and requires the use of a “energy card” (the BEV equivalent of a fuel card) to cover the public charge points and a smart domestic charger capable of reporting home use over WiFi or cellular networks.

Reimbursing car business mileage

Regardless of the internal financial arrangements or scheme name a car leased to an organisation and provided to an employee with unconditional “private use” is treated by HMRC as a “company car”.

Contributory lease schemes and salary sacrifice schemes are therefore company car schemes as far as HMRC are concerned and mileage



reimbursement should follow the HMRC rules for a company car. Failure to do so could result in the employee paying additional income tax and the employer additional National Insurance (NI).

HMRC publishes an [Advisory Fuel Rate](#) (AFR) for company cars. It is intended to cover the cost of the fuel alone as the car is fully funded. The rate for BE cars is £0.05/mile, it hasn’t changed for some time, and it is not based on either the [OFGEM Default Tariff Cap](#) which is updated every three months or the current [Energy Price Guarantee](#). There are no AFR rates for vans.

For an employee paying for their domestic energy by direct debit (fixed monthly payments) the average regional maximum cost per kWh in Q4 2022 and Q1 2023 has been capped at £0.34. If the employee’s electric car achieves three miles/kWh (most are in the range three to four miles) that gives a cost of £0.113/mile - significantly higher than the HMRC BEV AFR.

Calculating a BEV fuel rate for cars

The first step is to use the price cap to determine a realistic rate. The actual price paid for electricity



depends on supplier, payment method (direct debit, credit, or pre-payment) and region but the differences are small. Depending on the area your organisation covers it may be simpler to adopt just one rate as the actual benefit to an employee will be significantly impacted by how well they drive their BEV (miles per kWh).

OFGEM Tariff terminology

When the Energy Price Guarantee comes to an end in April 2023, prices for some employees may revert to the Default Tariff Cap:

Other Payment Method: this covers monthly direct debit so a lot of staff will be on this scheme.

Standard Credit: paid at the end of every quarter/month for the energy used in that quarter/month, in arrears – hence “credit”.

Pre-Payment: paid for before use – so you have to “top-up” your meter – often used in rental and social housing – intended to prevent debt build-up.

Single Rate: one tariff paid which does not vary by time of day.

Multi-Register: this covers tariffs that vary by time of day for example “Octopus Go”, and “Octopus Agile” (EDF, British Gas, Scottish Power and E.On have taken their EV tariffs off the market).

The columns “nil kWh” is effectively the maximum standing charge payable by a household which did not consume any energy (these tables are a maximum price not the actual price) – so divide by 365 to get the maximum daily standing charge.

The columns “(3,100kWh)” and “(4,200kWh)” are the total cost based on median consumption for the two metering schemes and it includes the standing charge in “nil kWh”.

To get to a maximum cost per kWh you must choose the payment method, the region and the metering arrangement then deduct the maximum standing charge and divide what is left by the appropriate kWh.

For example: “Other PM”, South Wales”, “Multi-Register” = $(£2,133.73 - £171.23) / 4,200\text{kWh} = £0.467/\text{kWh}$ which at 3 miles/kWh = £0.156/mile.

Agreeing an alternative AFR for BEVs

HMRC do state on the AFR webpage: *“if the cost of business travel is higher than the guideline rates, you can use your own rates to reflect your situation”*

Once you have decided on the appropriate rate contact your HMRC tax district and ask to agree in principle to a mileage rate based on the OFGEM quarterly prices cap.



Blaenau Gwent County Borough Council fleet



HMRC would normally expect a robust system of recording total kWh used and the split private/business mileage to be in place (some domestic charge points do record kWh) – one that they could inspect and audit if they so wished. However, inspection is unlikely because of the current tax status of the benefit:

Electricity for BEVs is a tax-free benefit

If you provide an “energy card”, meet the whole cost of the EV charging at home or provide charge points at the workplace you do not have to charge the employee for the energy supplied as it is a tax free benefit.

Mileage Rate for Vans

The same approach can be used for vans however there are also solutions in the market for accurately recording the home charging of vans.

Reimbursement options for the charging of vans kept at employees’ homes is covered in more detail in a separate Advisory Note.

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Website: [Click here](#) | Email: enquiries@energyservice.wales

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