

**EXPLANATORY MEMORANDUM TO
THE CAR FUEL BENEFIT ORDER 2008**

2008 No. 511

1. This explanatory memorandum has been prepared by HM Revenue & Customs (HMRC) and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

- 2. Description**

This instrument increases the figure in section 150(1) of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (ITEPA) used to calculate the cash equivalent of the benefit of car fuel received by an employee from £14,400 to £16,900.

- 3. Matters of special interest to the Select Committee on Statutory Instruments**

None

- 4. Legislative Background**

4.1 This Order is made by the Treasury under section 170(5) and (6) of ITEPA and it is the first use of that power.

4.2 When an employee receives fuel for use in a company car by reason of their employment, a benefit subject to tax (see section 149 of ITEPA) and NICs arises. This is generally known as “the fuel benefit charge” (FBC).

4.3 Since April 2003 the FBC has been calculated by applying the company car tax appropriate percentage to a set figure known colloquially as “the multiplier”. The appropriate percentage is calculated by reference to the CO₂ emissions of the company car (see sections 133 to 142 of ITEPA). Tax and Class 1A NICs are then charged on the FBC. The multiplier has been set at £14,400 since it was introduced in April 2003.

- 5. Extent**

This instrument applies throughout the United Kingdom.

- 6. European Convention on Human Rights**

The Exchequer Secretary has made the following statement regarding Human Rights:

In my view the provisions of the Car Fuel Benefit Order 2008 are compatible with the Convention rights.

7. Policy Background

- 7.1 The original policy objective was to bring into charge fuel provided for company cars (provision of such fuel was previously covered by the benefit charge on the car itself). The legislation was introduced in the Finance Bill 1981 with the stated intention “that these new rules should discourage the supply of free petrol”.
- 7.2 This has continued to be the policy objective throughout the intervening period. It is considered that provision of free fuel can encourage unnecessary journeys thereby adding to congestion and pollution levels.
- 7.3 The increase in the FBC multiplier has been calculated by reference to the increase in the retail prices index for the period April 2003 to September 2007. That increase restores the value of the multiplier to 2003 levels. Unless increased, the FBC will become increasingly ineffective in achieving the intended policy objective.
- 7.4 The government announced the change in the 2007 Pre Budget Report. This Order gives effect to that announcement.

8. Impact

An impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

9. Contact

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