Mileage rates

June 2026

Company car users: changes to tax free fuel rates from 1 June 2026

HMRC regularly publish approved 'fuel only' rates which have, again, changed. These rates apply if you are provided with a company car by your employer and you:

· claim a mileage allowance from your employer solely for the cost of fuel used on business journeys, or

· repay your employer for fuel used on private travel – including that between your home and normal workplace.

If you use the approved rates, you have certainty that you are claiming no more than the true cost of fuel used on business journeys and so will not be taxed on a 'fuel benefit'.

The rates last changed on 1 March 2026. The changes from 1 June 2026 rates are related to all petrol, diesel and LPG fuelled cars, reflecting higher prices at the pump than in the previous quarter. Rates remain unchanged for both public and home charging of 100% electric cars.

If you have either been claiming more for business mileage or repaying less for private mileage than the HMRC official rates, you should increase the rate per mile for the affected cars to avoid HMRC's view that fuel for private travel is provided by the employer – although this does not apply to electric cars as electricity is not defined as a "fuel".

The car driver would be therefore taxed on the fuel benefit scale charge, unless the car user meets the cost of all fuel used privately. There is therefore a risk that company car drivers who might have inadvertently paid a few pence less for their private travel, or who have claimed more from their employer than the official rate, will be taxed on the full fuel scale benefit. The tax cost can equate in general to more than 20,000 miles worth of fuel. Employers would also be hit with extra Employer National Insurance on the fuel benefit.

The rates effective from 1 June are (previous rates, if different, shown in brackets):

Engine size	Petrol	Diesel	LPG
Petrol 1400cc or less	14p (12p)	-	11p (10p)
Diesel 1600cc or less	-	15p (12p)	-
Petrol 1401 to 2000cc	17p (14p)	-	13p (12p)
Diesel 1601 to 2000cc	-	17p (13p)	-
Over 2000cc	23p (22p)	23p (18p)	21p (19p)
100% electric home charging	7p -	-	-
100% electric public charging	15p -	-	-

Whether you pay your employer for fuel used on private travel, or claim business mileage from your employer, and are provided with a petrol, diesel of LPG car, you should increase the amount you claim or repay to your employer with effect from 1 June 2026.

Drivers of 100% electric company cars should continue to use the previous quarter's rates.

Where employees are paid mileage allowances rather than being reimbursed the cost of their fuel, the business can either account for a scale charge or claim input VAT on fuel for the actual business mileage, depending on whether the mileage allowances covers all mileage or just business mileage. Note that the new scale charge regime is based on CO_2 emissions.

For journeys where a 100% electric car is charged at both public and home (residential) locations, you can apportion the mileage based on how much charging happens at each place. The apportionment calculation should be fair and reasonable.

Subject to a scale charge being accounted for where required, the business can reclaim input VAT out of the fuel element of the mileage allowance. The fuel rates are the same as in the table above and are treated as inclusive of VAT for reclaiming input VAT.

There is a risk that company car drivers who are paying, or claiming, the incorrect amount could add up to £4,000 to their annual tax bill.

The next step

If you are in any doubt as to the application of these changes to your circumstances, or wish to discuss the implications further, please do not hesitate to contact us. These changes do not affect employees or directors who use their own cars for business travel, nor company car drivers whose employers pay for all of their fuel.