HMRC is out of step with modern cars, say fleets

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The Association of Fleet Professionals and the BVRLA have jointly called upon Government to ensure that the Advisory Electricity Rate for electric vehicles is fit-for-purpose.

The industry bodies share concerns that the current 4 pence per mile rate, which remains unchanged since 2018, is no longer reflective of real-world conditions, and have written to HMRC to make the following recommendations:

- Review the current AER level
- Establish an ongoing review process for the AER
- Create a separate AER for vans
- Begin work on a hydrogen AFR

Advisory Rates are widely used by employers to determine reimbursement rates for employees claiming business mileage, with HMRC publishing updated AFRs quarterly for petrol, diesel, and hybrid vehicles.

Paul Hollick, chair at the AFP, explained, “The HMRC’s current rate was set at a time when business use of EVs was in its infancy and is quite a blunt instrument, using the same rate whether for a small city runabout or a large luxury 4×4. Clearly, the fuel costs of these vehicles are not the same.

“The Advisory Fuel Rates used for petrol, diesel and hybrid vehicles recognise that there are different engine sizes that have different fuelling costs. A similar approach needs to be adopted for their electric equivalents.”

BVRLA Chief Executive, Gerry Keaney added, “The current AER rate and the process for determining it is not fit-for-purpose.

“It has the potential to compromise the uptake of electric vehicles, as employees will not, in many cases, be adequately reimbursed for their business travel costs.

“A fifth of BVRLA members’ fleet already has some form of electrification and this figure is only set to increase as more people look to upgrade to cleaner vehicles. The tax system must catch up and reform of the AER process is needed to ensure parity with the fairer process applied to AFRs.”