

EXPLANATORY NOTE

(This note is not part of the Order)

VAT is payable if road fuel of a business is used for private motoring. The VAT due must be calculated using flat-rate values related to engine type and size (a).

The Order increases those flat rates by an average of 10 per cent for diesel vehicles and 11 per cent for vehicles using other fuels. This reflects the increase in road fuel costs which has occurred since Table A in section 57 of the Value Added Tax Act 1994(b) was last amended (c).

This Order gives effect to Article 2 of Council Decision 86/356/EEC (d)(of 21 July 1986 authorising the United Kingdom to apply flat-rate measures in respect of the non-deductible value added tax charged on fuel expenditure in company cars) which requires the flat rates to be adjusted annually in line with changes in the average cost of fuel.

The new rates apply to any relevant accounting period starting after 30th April 2006(e).

A full regulatory impact assessment has not been produced for this instrument as it has no impact on business, charities or voluntary bodies.

(a) Sections 56 and 57 of the Value Added Tax Act 1994.

(b) 1994 c. 23.

(c) Table A was last substituted by S. I. 2005/722

(d) O J No L212, 2.8.1986,p35.

(e) See articles 1(2) and 2 of the Order.

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