

Mileage, VAT and company cars

Which engine type to choose, why you need a fuel receipt, and how journeys in a company car are paid.

VAT

Expenses

Last updated 17 September 2026

This guide is for you if your company is VAT registered, or if you drive a car that belongs to your company. In both cases Mighty asks one extra question when you add a journey: the **Engine type**. This guide explains why, and what to choose.

If neither applies to you, you won't see **Engine type** at all. You can skip this guide and follow [How to claim mileage for a business journey](#).

How VAT on mileage works

VAT is the tax added to most prices, which a VAT registered company can claim back from HMRC (the UK tax authority) on the things it buys for the business.

A mileage claim pays you for each mile. Part of that amount is for fuel, and fuel has VAT on it. So your company can claim back the VAT on the fuel part of each mile.

HMRC publishes how much of each mile counts as fuel. It calls this the advisory fuel rate. The rate depends on what the car runs on and the size of its engine, and HMRC updates it every three months.

You never need to work any of this out. Tell Mighty the engine type, and Mighty uses the right rate for the date of your journey and adds the VAT to your next VAT return.

Choosing your engine type

Choose the option that matches the car you drove. You can find the engine size in your car's logbook (the V5C), shown in cc.

Your car	Choose
Petrol, engine up to 1,400cc	Petrol upto 1400cc
Petrol, engine from 1,401cc to 2,000cc	Petrol 1401 to 2000cc
Petrol, engine over 2,000cc	Petrol over 2000cc
Diesel, engine up to 1,600cc	Diesel upto 1600cc
Diesel, engine from 1,601cc to 2,000cc	Diesel 1601 to 2000cc
Diesel, engine over 2,000cc	Diesel over 2000cc

Fully electric, mostly charged at home	Electric (Home Charged)
Fully electric, mostly charged at public chargers	Electric (Publicly Charged)

HMRC treats a hybrid car as petrol or diesel. Choose the petrol or diesel option that matches its engine.

Add mileage
×

Date
17/09/2026

User
David Smith

☐ Is this a company car? ⓘ

Start location ⓘ
WD17 2WH

Destination ⓘ
M2 1BB

Lookup
Build Journey

Miles
183

Round trip ⓘ
☐

Additional passenger ⓘ
☐

Total miles
183

Transport type
Car

Engine type
Petrol 1401 to 2000cc

Which engine type to choose →

To be recharged to a client ⓘ
☐

Notes ⓘ

Attach receipt ⓘ
Choose File No file chosen

Cancel Save

Why electric cars have two options

Electricity at home has a lower rate of VAT than electricity from a public charger. So there is less VAT to claim back on a mile charged at home. Choose the option that matches how you charged for that journey.

Keep a fuel receipt

To claim VAT back on mileage, HMRC expects your company to hold a fuel receipt that covers the journey. The receipt needs to be dated on or before the trip, and be for at least as much fuel as the journey used.

One receipt can cover several journeys. You can store it with your claim using **Attach receipt**, so it's there if HMRC ever asks. Mighty accepts photos (JPG or PNG), PDFs, and Word or Excel files up to 20MB.

Add mileage

Date

17/09/2026

User

David Smith

☐

Is this a company car?

Start location

WD17 2WH

Destination

M2 1BB

Lookup

Build Journey

Miles

183

Round trip

☐

Additional passenger

☐

Total miles

183

Transport type

Car

Engine type

Petrol 1401 to 2000cc

Which engine type to choose →

To be recharged to a client

☐

Notes

Attach receipt

Choose File

No file chosen

Cancel

Save

Journeys in a company car

A company car is one your company owns or leases. Your company already pays for the car, so HMRC only lets it pay you back for the fuel you bought for business journeys.

Tick **Is this a company car?** and Mighty changes three things for that journey:

- It pays the advisory fuel rate for your engine type, instead of the usual rate for each mile. This is a much smaller amount.
- The 10,000 mile limit doesn't apply.
- There's no extra amount for a passenger.

You need to choose an **Engine type** for a company car, even if your company is not VAT registered. Mighty needs it to find the right fuel rate. Journeys in a company car show a **Company car** label in your list.

Add mileage

×

Date

17/09/2026

User

David Smith

☒ Is this a company car? ⓘ

Start location ⓘ

WD17 2WH

Destination ⓘ

M2 1BB

Lookup

Build Journey

Miles

183

Round trip ⓘ

☐

Additional passenger ⓘ

☐

Total miles

183

Transport type

Car

Engine type

Petrol 1401 to 2000cc

Which engine type to choose →

To be recharged to a client ⓘ

☐

Notes ⓘ

Attach receipt ⓘ

Choose File

No file chosen

Cancel

Save

Getting this box wrong changes the amount a lot. If the car is yours, leave it empty. If the company owns or leases it, tick it.

Common questions

I don't see Engine type on my form

Mighty only shows it when it's needed: when your company was VAT registered on the date of the journey, or when you've ticked the company car box. It also only shows for cars, not motorbikes or bicycles.

We use the flat rate VAT scheme

On the flat rate scheme you pay HMRC a fixed share of your sales and don't claim VAT back on most things you buy. That includes mileage. Mighty knows which scheme you're on and won't claim VAT on your mileage.

Do I need to update the fuel rates?

No. We keep HMRC's rates up to date in Mighty, and Mighty always uses the rate that applied on the date of your journey.

I chose the wrong engine type

Open the journey from the three dots on its row, choose **Edit**, and change it. Mighty works the VAT out again. If the journey is already on a VAT return you've sent to HMRC, Mighty puts the difference on your next return for you.

How to do it in Mighty

1 Add your journey as usual

From the menu, choose Expenses, then Mileage Claims, and select Add mileage. Enter the date, where you went and the miles.

Add mileage [X]

Date: 17/09/2026 [Calendar icon] User: David Smith [Dropdown] [Is this a company car? ⓘ]

Start location ⓘ: WD17 2WH Destination ⓘ: M2 1BB [Lookup] [Build Journey]

Miles: 183 Round trip ⓘ: [] Additional passenger ⓘ: [] Total miles: 183

Transport type: Car [Dropdown] Engine type: Petrol 1401 to 2000cc [Dropdown] [Which engine type to choose -->]

To be recharged to a client ⓘ: [] Notes ⓘ: [Text area]

Attach receipt ⓘ: [Choose File] No file chosen

[Cancel] [Save]

2 Tick the company car box if the company owns the car

Tick Is this a company car? if the car is owned or leased by your company. Leave it empty if the car is your own.

The screenshot shows the 'Add mileage' form with the following details: Date: 17/09/2026, User: David Smith, Start location: WD17 2WH, Destination: M2 1BB, Miles: 183, Transport type: Car, Engine type: Petrol 1401 to 2000cc. The checkbox 'Is this a company car?' is checked and highlighted with a blue box. Other fields include 'Round trip', 'Additional passenger', 'Total miles', 'To be recharged to a client', 'Notes', and 'Attach receipt'.

3 Choose the Engine type

Choose the fuel and engine size that match the car in Engine type. Mighty remembers your last choice for next time.

This screenshot is identical to the previous one, but the 'Engine type' dropdown menu is highlighted with a blue box. The dropdown shows 'Petrol 1401 to 2000cc' as the selected option. A link 'Which engine type to choose ->' is visible below the dropdown.

4 Attach a fuel receipt

Select Choose File under Attach receipt and pick a photo or file of a fuel receipt dated on or before the journey. Then select Save.

The screenshot shows the 'Add mileage' form with the following fields and options:

- Date:** 17/09/2026
- User:** David Smith
- Is this a company car?:** ☐ (with a help icon)
- Start location:** WD17 2WH
- Destination:** M2 1BB
- Lookup** and **Build Journey** buttons
- Miles:** 183
- Round trip:** ☐
- Additional passenger:** ☐
- Total miles:** 183
- Transport type:** Car
- Engine type:** Petrol 1401 to 2000cc
- To be recharged to a client:** ☐
- Notes:** (empty text area)
- Attach receipt:** (highlighted with a blue box)
 - Choose File** button
 - No file chosen
- Cancel** and **Save** buttons at the bottom right.

Related guides

- [Expense Mileage Through Your Company](#)
- [VAT On Expenses: Exempt, Zero-Rated, Outside The Scope & Reverse Charge Explained](#)

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/mileage-vat-and-company-cars>