

Florina

Florina is a director of and shareholder in Flight Hip Ltd. She earns an annual salary of £50,000 and receives a dividend of £20,000 from the company every year. She received total taxable benefits of £25,000 from the company in the tax year 2016/17. Flight Hip Ltd is not a close company.

Florina's benefits include a company car together with free petrol for both business and private use. The car's benefit percentage by reference to its CO₂ emissions is 26%. Florina drives 19,000 miles per year of which 2,000 miles are in the performance of her employment duties. The total cost of all of the petrol used by Florina in the tax year 2016/17 was £3,000.

Kanzi

Kanzi is an artist. His annual taxable trading income is approximately £14,000.

Although Kanzi is not employed by Flight Hip Ltd. the company provides him with a car and free petrol. The car's benefit percentage by reference to its CO₂ emissions is 23%. Kanzi drives 5,000 miles per year; the total cost of the petrol used by Kanzi in the tax year 2016/17 was £800.

Provision of free petrol

By comparing the income tax due in respect of the petrol with the value of the petrol received, determine whether Florina and Kanzi would be better off if:

- Florina were to reimburse Flight Hip Ltd for the cost of the petrol used by her for private purposes; and/or
- Flight Hip Ltd were to stop providing Kanzi with free petrol.