

MOTOR ALLOWANCES

BUSINESS USE OF YOUR OWN CAR

The Inland Revenue sets authorised mileage rates (AMRs) which enable employers to make tax free payments to employees who are required to use their own cars for business travel.

The rates are estimates of travel costs incurred based on a proportion of the routine costs (such as depreciation, servicing, insurance and road tax) and all the running costs (such as fuel).

Employers may pay higher rates than the AMRs set by the Inland Revenue, but the amount paid in excess is subject to tax.

Equally, if the employer pays lower rates, an employee is entitled to tax relief (called Mileage Allowance Relief) on the difference with the Inland Revenue approved rates.

AMRs were updated in April 2011 and current rates for cars, vans, motorcycles and bicycles are shown below.

From 2011-2012	First 10,000 business miles in the tax year	Each mile over 10,000 miles in the tax year
Cars and vans	45p	25p
Motor cycles	24p	24p
Bicycles	20p	20p

In addition, the Inland Revenue sets a tax free passenger allowance of 5p per mile per passenger if all those travelling are engaged in a business journey.

In order to re-claim tax relief for your business use through Mileage Allowance Relief (MAR), you must keep accurate records of business trips and reimbursement amounts you receive from your employer.

The form for claiming MAR can be found at <http://www.hmrc.gov.uk/forms/p87.pdf>

NEGOTIATING APPROPRIATE MILEAGE RATES

In order to establish an appropriate benchmark for negotiating over mileage rates it is worth referring to guidance on calculating motoring costs at www.emmerson-hill.co.uk, which publishes the RAC Motoring costs table.

The AA also offers a summary of motoring costs at http://www.theaa.com/motoring_advice/running_costs/index.html

The table below sets out the main features of the motor allowance schemes that form part of the NHS Agenda for Change and Local Government Single Status agreements

Regular / essential user allowance			
NHS			
Engine capacity	Up to 1000cc	1001 to 1500cc	Over 1500cc
Lump sum	£508	£626	£760
Up to 9000 miles (pence per mile)	29.7p	36.9p	44.0p
Thereafter	17.8p	20.1p	22.6p
Local Government			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
Lump sum	£846	£963	£1,239
per mile first 8,500	36.9p	40.9p	50.5p
per mile after 8,500	13.7p	14.4p	16.4p

Standard rates / casual user allowance			
NHS			
Engine capacity	Up to 1000cc	1001 to 1500cc	Over 1500cc
Up to 3,500 miles	37.4p	47.3p	58.3p
Thereafter	17.8p	20.1p	22.6p
Local Government			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
per mile first 8,500	46.9p	52.2p	65.0p
per mile after 8,500	13.7p	14.4p	16.4p

COMPANY CARS

The Inland Revenue defines a company car as a car that is made available to and is available for private use by an employee earning £8,500 a year or more, or to a member of their family or household

The taxable value of a company car is principally calculated on the basis of the list of the price of the car and accessories, multiplied by a percentage based on the level of carbon dioxide emissions it generates and the fuel the car uses.

The percentages applicable to the various levels of carbon dioxide emissions for petrol powered cars, run from a low of 15% to a high of 35% (lower rates apply to electric powered vehicles). An extra charge of 3% has traditionally been applied to diesel cars, though this surcharge is due to be abolished from April 2016

Since the government moved charges from being based on business miles travelled to carbon dioxide emissions, many companies have chosen to pay cash allowances in lieu of a company car, while other employers are specifying that employees use low emission cars.

The multiplier applicable to petrol powered cars can be found at www.hmrc.gov.uk/manuals/eimanual/EIM24700.htm

The detailed calculation for defining taxable value can be found at <http://www.hmrc.gov.uk/guidance/480.pdf>

‘ADVISORY’ FUEL RATES FOR COMPANY CARS

The Inland Revenue publishes guidelines for fuel-only mileage rates for company cars. These rates apply where employers:

- Reimburse employees for business travel in their company cars
- Require employees to repay the cost of fuel used for private use

The rates applicable to journeys on or after 1 September 2012 are currently as follows.

Engine size	Petrol	LPG
1400cc or less	15p	10p
1401cc to 2000cc	18p	12p
Over 2000cc	26p	17p

Engine size	Diesel
1600cc or less	12p
1601cc to 2000cc	15p
Over 2000cc	18p

Despite being “advisory,” the surplus on any payment higher than these (made by employers to users of company cars, declared on P11D returns) is likely to be treated as earnings and subject to tax and National Insurance.

For the latest details on advisory fuel rates, take a look at the links below
http://www.hmrc.gov.uk/cars/advisory_fuel_current.htm
http://www.hmrc.gov.uk/cars/fuel_company_cars.htm