

## Mileage payments

Employees and the self-employed alike often need to undertake business journeys and mileage payments are often made to cover the cost of fuel and, where the car used is the individual's own rather than a company car, the associated running costs and an element of depreciation. However, all mileage allowance payments are not the same.

It should be noted here that business travel does not include home to work travel (except in very limited circumstances).

## Approved mileage allowance payments

Approved mileage allowance payments (AMAP) are relevant where an employee uses his or her own car for business travel. The system allows the employer to pay an employee a tax-free mileage rate, which does not need to be notified to HMRC on the employee's P11D or payroll. Approved mileage allowance payments are set for cars and vans, motorbikes, and bicycles as follows:

Type of vehicle	First 10,000 business miles	Additional business miles
Cars and vans	45p per mile	25p per mile
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

For cars and vans, a higher rate applies to the first 10,000 business miles in the tax year.

### Example

Tony undertakes 14,000 business miles for his employer in a tax year, using his own car for business.

The approved mileage payment is £5,000 ((10,000 @ 40p) + (4,000 @ 25p)).

If the employer pays a mileage rate in excess of the approved rate, the excess is taxable and must be notified to HMRC on the employee's P11D. If the amount paid by the employer is less than the approved rate, the employee can claim tax relief for the shortfall.

## Advisory fuel rates

HMRC also publish advisory fuel rates. These can be used by employers to reimburse fuel costs where the employee has a company car. The advisory fuel rates are lower than the approved mileage rates to reflect the fact that it is the employer, rather than the employee, who meets the running costs for the vehicle and suffers the associated depreciation.

The advisory fuel rates applying from 1 June 2017 are as follows:

Engine size	Petrol (rate per mile)	LPG (rate per mile)
1400cc or less	11p	
1401cc to 2000cc	14p	9p
Over 2000cc	21p	14p

Engine size	Diesel (rate per mile)
1600cc or less	9p
1601cc to 2000cc	11p
Over 2000cc	13p

As with approved mileage rates, payments in excess of the advisory rates are taxable.

### **Simplified expenses**

The self-employed can also use mileage payments to work out business costs for vehicles if they opt to use the simplified expenses system. Under simplified expenses, the sole trader or partner records the number of business miles undertaken in the year and calculates the amount to deduct when working out business profits by applying a mileage rate. The mileage rates used under the simplified expenses system for cars, vans, and motorcycles are the same as the approved mileage rates set out above. So, a sole trader driving 14,000 business miles a year would be entitled to a flat rate deduction of £5,000.

Simplified expenses cover the costs of fuel, buying and running the vehicle. However, they cannot be used if capital allowances have been claimed for the vehicle.