

Knowledge

BANK



ARTICLE 21

Approved mileage allowance payments

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If an employee uses their own car on company business, you can pay them an amount up to HM Revenue and Customs Approved Mileage Allowance Payment rate without the employee bearing any tax liability.

The AMAP rates for 2008-09 are:

1st 10,000 business miles: **40p per mile**
Business miles in excess of 10,000 miles: **25p per mile**

These rates are payable regardless of engine size.

The two bands reflect the fact that some motoring costs are fixed (road tax, insurance, depreciation, etc) whereas others vary based according to the mileage driven (fuel, servicing, etc).

Drivers of smaller cars will find these levels are very generous.

However, these amounts do not cover the true costs of driving bigger cars. This is a deliberate government step to encourage the move to smaller cars for environmental reasons.

If using the AMAP neither the employer nor the employee needs to keep records of the actual costs incurred by the employee on business mileage, just the mileage itself.

It seems many employees are unaware of an attractive aspect of the AMAP rules. If you reimburse your employees at a rate less than the AMAP they can claim tax relief on the difference.

Let's imagine an employee has a small car and you give her 20p per mile for driving 16,000 business miles. The AMAP rules allow her to receive:

40p x 10,000 miles	=	£4,000
25p x 6,000 miles	=	£1,500
		<u>£5,500</u>

You have paid her 20p x 16,000 = £3,200

So she can claim tax relief on £2,300

You can pay an employee up to 40p for all mileage (even mileage in excess of 10,000 miles) without them being liable for Class 1 National Insurance contributions (NIC).

Employers can also make tax-free payments to employees for business mileage travelled using their own motorbikes (24p per mile) and pedal bikes (20p per mile).