

**HMRC/INLAND REVENUE AUTHORISED MILEAGE RATES  
CALLED APPROVED MILEAGE ALLOWANCE PAYMENTS (AMAP)**

**Background:** In 2000 Gordon Brown (then Chancellor of the Exchequer) introduced "environmentally friendly mileage rates". Following this, during the tax year 2001/2002, higher rates, called Authorised Mileage Rates (AMR) were introduced for "environmentally friendly" cars with engines of 1500cc or less, whereas mileage rates/allowances for larger-engined cars were frozen.

Starting in the 2002/3 tax year, the Inland Revenue (now HMRC) introduced an **Approved Mileage Allowance Payment (AMAP)** system, using a single statutory mileage rate for all cars (regardless of engine size or fuel type), with a lower rate applicable after the first 10,000 annual business miles. At the time of introduction in 2002 the pump price of petrol was 77.9p/litre. It is now over 116.9/litre (50% more) yet these rates have remained frozen and have yet to be reviewed to reflect high fuel prices. Rates for previous years and changes are summarised below:

Business miles/engine size	Up to 1000cc	1001-1500cc	1501-2000cc	Over 2000cc
<b>Previous rates (since 1997):</b>				
<b>Tax years 1997-2001 (ppm):</b>				
<b>First 4,000 business miles</b>	28p	35p	45p	63p
<b>All mileage over 4,000</b>	17p	20p	25p	36p
<b>Tax year 2001-2002 (ppm):</b>				
<b>First 4,000 business miles</b>	40p	40p	45p	63p
<b>All mileage over 4,000</b>	25p	25p	25p	36p
<b><u>Current rates (ppm) 2002 on:</u></b>	<b><u>All cars</u></b>	<b><u>All cars</u></b>	<b><u>All cars</u></b>	<b><u>All cars</u></b>
<b>First 10,000 business miles</b>	40p	40p	40p	40p
<b>All mileage over 10,000</b>	25p	25p	25p	25p

HMRC rates can be referenced at <http://www.hmrc.gov.uk/rates/travel.htm>

**Key points:**

- People who use their own cars for business purposes can seek tax relief (up to the level of the approved mileage rates) where they receive amounts less than these rates from their employers - provided they have kept proper records of business journeys. The rates (called "Approved Mileage Allowance Payments") were determined on a statutory basis, to take into account all standing and running costs including financing. For reasons of an "environmental" nature, the practice of allowing individuals to claim tax relief for higher costs was discontinued. Employers may pay higher mileage rates, but any excess over the single rate will be liable for tax.
- Many business users who operate more expensive cars (or cars with larger engines) were simply not prepared to accept reduced business mileage rates from their employers, just to tie in with new Inland Revenue rates. Where staff sought to remain in a neutral position, or where additional funding was required to allow for the extra tax deducted on higher mileage allowances, employers' business mileage costs increased.
- As a consequence of the changes, many organisations identified a need to review mileage rates paid to employees and also to sever any linkage between HMRC mileage rates and business charge-out mileage rates (used for billing their customers or for budget purposes).
- Rate for **motorcycles** is currently **24p/mile** for all business miles.
- Rate for **bicycles** is currently **20p/mile** for all business miles.
- Car sharing allowance for **each passenger carried** (on business journeys) **up to 5p/mile** [where employer pays less than 5p/mile tax relief may be available, provided company actually pays for employee(s) to share a car].
- It is necessary for people using their own cars for business to keep accurate records of business trips and reimbursement amounts they receive from their employers, in order to support any subsequent claims for tax relief on low payments. For this purpose, **mileage record/tax claim forms** can be downloaded **for personal use only** from [www.emmerson-hill.co.uk](http://www.emmerson-hill.co.uk) (mileage records page)

Copy of press release dated 28 May 2008 is shown on the following two pages

**Prepared in June 2008.**

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## Mileage rates should be reviewed – or scrapped altogether.

According to management consultants Emmerson Hill Associates (who research motoring costs for the RAC) running a car nowadays is simply not a 'profit-making' activity, but no one seems to have alerted the Treasury to this. This is evidenced by the dogmatic approach to travel-related mileage payments adopted by the Treasury and HMRC (the taxman) which assumes that people paid more than their notional figure of 40p/mile make a 'profit' out of running their cars for business, and are therefore liable for tax on it. But the system does not appear to also recognise that drivers may suffer a loss. With the rapid escalation in fuel prices (up 2p/litre per week in many areas), that is exactly what is happening and many employees are being short-changed. They are taxed if they are paid more than the notional official rate of 40p/mile, yet where it costs drivers more, the message from this government is simple – "tough".



### Rising fuel prices: Same garage, exactly one month apart

◀April 2008: Unleaded **111.9p/litre**, Diesel **123.9p/litre**  
May 2008: Unleaded **116.9p/litre**, Diesel **132.9p/litre**▶



It seems that the unwillingness of HMRC to index-link official mileage rates, coupled with the dogmatic belief that employees 'make a profit' out of running their cars is causing considerable discontent among employees. Many employees are now refusing to use their own cars on their employers' business - because they are out of pocket.

Approved Mileage Allowance Payments (AMAPs) of 40p/mile were first introduced in 2002, when unleaded petrol was priced @ 77.9p/litre. Despite fuel now costing 50% more (116.9p/litre) they have not been changed, Worse still, six years on, there is no mechanism (like that adopted by the IRS in America) to index-link them. Assuming that one quarter (or 10p) of the original 40p represented fuel, this should be increased by 50% to 15p, and if properly indexed-linked to fuel prices, the 40p/mile should now be at least 45p/mile.

It gets worse. HMRC also set out so-called 'advisory' fuel rates for company car users, which are supposed to be reviewed when fuel prices increase by a margin of more than 5% - but HMRC haven't been exactly quick off the mark to adjust these and are miles behind the curve in their reaction time. Employees buy their fuel today, not in three months time. As a result of such extreme delays and the Treasury burying their heads in the sand, pretending that motoring costs haven't gone up, the official mileage and fuel rates set out by HMRC have lost all credibility and should be scrapped, says Bob Blackman, a management consultant with Emmerson Hill Associates.

"We recommend to clients that they side-step car mileage rates and pay a travel allowance which reflects what it actually costs to get about on business, after having researched what costs may be in their area. We have researched the costs of travel in a number of geographical areas, and find that in most places they exceed 50p/mile, with costs in some areas far higher than this. Where employees can practically go about their business using public transport, this is good for the environment and can ease congestion and parking problems" says Bob. "But not everyone can use public transport – it is often very costly, inconvenient, infrequent, and doesn't go where people want to go. So the millions (such as key public sector workers) who have to go about on their employers' business using their own means of travel – whatever that is – are disadvantaged by HMRC dogma".

For business fuel in company cars, Emmerson Hill recommend that employers issue employees with fuel cards and pay only the actual costs involved in business travel, having identified the cost of private use and recovered this directly from employees. Bob Blackman added "People shouldn't be taxed if the employer is paying only what it costs – whatever that may be"....

A more detailed report on what can be done about this from [www.emmerson-hill.co.uk/news.htm](http://www.emmerson-hill.co.uk/news.htm)

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Exactly two days after the date of this press release the following appeared on HMRC website:

## Company cars - advisory fuel rates from 1 July 2008

These figures give about one month's notice of the changes and apply to all journeys on or after 1 July 2008 until further notice.

We have agreed with employers that we should give them one month's notice of a change in advisory fuel rates so that they can amend their systems in good time to implement the new rates. Accordingly we are announcing these new rates in time for implementation on 1 July. However, the recent fuel price increases which justify these AFR changes have happened very rapidly. In these unusual circumstances we are mindful that an implementation date of 1 July might mean that drivers will be incurring higher fuel prices before the new rates become effective. Consequently, where employers are able to do so, HMRC is content for the new rates to be implemented immediately ie from 1 June.

Engine size	Petrol	Diesel	LPG
1400cc or less	12p	13p	7p
1401cc to 2000cc	15p	13p	9p
Over 2000cc	21p	17p	13p

Petrol hybrid cars are treated as petrol cars for this purpose.

These rates are calculated from the fuel prices in the tables below:

Petrol						
Engine size (cc)	Mean MPG	Applied MPG	Fuel price (per litre)	Fuel price (per gallon)	Pence per mile	AFR
up to 1400	48.9	44.0	114.8	521.8	11.9	12
1400 - 2000	39.5	35.6	114.8	521.8	14.7	15
over 2000	27.8	25.0	114.8	521.8	20.9	21
Diesel						
Engine size (cc)	Mean MPG	Applied MPG	Fuel price (per litre)	Fuel price (per gallon)	Pence per mile	AFR
up to 2000	50.7	45.7	127.2	578.3	12.7	13
Over 2000	38.2	34.4	127.2	578.3	16.8	17

In view of the statement (below) by MP's about their allowances, it is likely that pressure might now be put on HMRC to actually DO SOMETHING about mileage allowances...

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### MPs demand higher allowances to pay for fuel increases

**MPs are demanding extra allowances to pay for record fuel prices and rising road taxes, while voters struggle to meet the rising cost of motoring. The Parliamentary panel reviewing MPs' expenses has received a barrage of complaints that the allowance for using their cars on constituency duty is 'ridiculous'.**

Travel allowances are being examined in a review of the discredited Parliamentary expenses system by a cross-party committee headed by Speaker Michael Martin. MPs receive 40p per mile for the first 10,000 miles by car and 25p thereafter - the same as employees using their own cars on businesses under HM Revenue & Custom's tax-free Authorised Mileage Allowance Payments (AMAPs). The rate used to be 72p per mile for MPs, but they can claim 350 miles a month, £1,680 a year, without receipts.

AMAP rates have been unchanged since 2002. According to the AA, the cost of driving a typical car has increased from 51p a mile in 2002 to 59.4p per mile today. If the 40p rate had risen in line with this increase, it should now stand at 46p. Laurence Robertson, Conservative MP for Tewkesbury, said the review of the 40p rate should not be restricted to MPs. **"It needs looking at for others as well,"** he said. **(Sunday Times: June 1)**

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