

USING YOUR OWN CAR FOR WORK

TAX RELIEF Where you are requested or required to use your own car for business purposes, the Inland Revenue allows you to claim tax relief on the difference between the amount paid to you by your employer for business use (usually only the fuel cost, but sometimes more than this) and the Inland Revenue rates. Since their introduction in April 2002 these are referred to as **Approved Mileage Allowance Payments (AMAP)** and tax relief is called **Mileage Allowance Relief (MAR)**. Changes to mileage rates since 1997 are set out below. Inland Revenue Booklets **IR124 Using your own car for work** and **IR122 Volunteer Drivers** are useful reference guides.

Business miles/engine size	Up to 1000cc	1001-1500cc	1501-2000cc	Over 2000cc
<u>Tax years 1997 to 2000:</u>				
First 4,000 business miles	28p	35p	45p	63p
All mileage over 4,000	17p	20p	25p	36p
<u>Tax year 2001-2002:</u>				
First 4,000 business miles	40p	40p	45p	63p
All mileage over 4,000	25p	25p	25p	36p
<u>Tax years from April 2002:</u>				
First 10,000 business miles	40p	40p	40p	40p
All mileage over 10,000	25p	25p	25p	25p

Since April 2002 a flat rate of **40p/mile** is applicable for the first 10,000 annual business miles, and **25p/mile** for all annual miles exceeding this - regardless of engine size or type of car driven. So if you receive only 10p/mile for business fuel, your claim for tax relief (for all business mileage up to 10,000) would be for **30p/mile** (40p-10p received). This would equate to an additional 6.6p/mile for 22% taxpayers and 12p/mile for 40% taxpayers. If in previous years you used a car over 2000cc and received 10p for business fuel your claim might be for 53p/mile (63p-10p).

TAXATION OF CAR OR TRAVEL ALLOWANCES.

Car or travel allowances are usually treated by the tax inspector as if they were cash, and are subject to deductions of income tax/National Insurance where relevant. Car or travel allowances are usually non-pensionable.

INSURANCE Do make sure that you have proper business use insurance, covering use "on behalf of your employer" (or the organisation you represent). Specific clauses in insurance policies often refer to 'use on behalf of the business of an employer' rather than 'use for personal business' - which is usually insufficient and may render subsequent claims invalid.

MAKING CLAIMS FOR TAX RELIEF FOR BUSINESS USE

If you receive a car or travel allowance this will in most cases have already been taxed at source, so in order to re-claim tax relief for your business use (called **Mileage Allowance Relief**) you must keep records of business trips in your own car, plus amounts received from your employer. Forms designed for this purpose can be downloaded (from www.emmerson-hill.co.uk) as PDF files for personal use. If you have not made claims for tax relief in respect of your business mileage in previous years, then you may still do so, provided you are able to produce evidence of amounts actually received from your employer in respect of business use, and the engine size of car(s) used. You will need to include the following in your claim:

Tax year	Total business mileage in year	Relevant Inland Revenue approved amount for my car engine size (a) £	Total amount received from employer (b) £	Difference (a) - (b) = claim for mileage allowance relief £

In such cases the tax inspector may also ask for further details of business use in each year. However, evidence of business mileage-linked payments (such as expenses paid by an employer for business fuel) may suffice. In all cases the responsibility for making claims for tax relief rests with the individual, not the employer, and submissions to the tax office must be submitted and signed by the individual concerned. Supply as much detail as you can. It is also worth bearing in mind that it is not necessary to prove ownership of the car you have been using for business purposes.