



## Approved Mileage Allowance Payments

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### Who is likely to be affected?

Employees who use their own cars or vans for business mileage, and employers who pay mileage allowances for such use. Approved Mileage Allowance Payments (AMAPs) rates are also used by employees and they will benefit from the extension of passenger payments to volunteers.

### General description of the measure

The AMAPs rates can be used to claim the cost of business mileage in an employee's own vehicle. The rates cover cars, vans, motorcycles and bicycles. Where an employer pays less than the published rates, employees can make a claim for tax relief for the shortfall by using Mileage Allowance Relief (MAR).

Regulations will be introduced so that, with effect from 6 April 2011, the rate of AMAPs for cars and vans will be increased from 40p per mile to 45p per mile for the first 10,000 miles of business travel in the tax year. The rate for mileage beyond 10,000 miles will remain at 25p per mile.

This will mean drivers receiving mileage allowances in excess of AMAPs will see a reduction in their tax and national insurance contributions (NICs) liability, while those who receive less will be entitled to a larger amount of MAR.

In addition to claiming AMAPs rates, an allowance for passenger payments currently in place for employees at 5p per passenger per mile will be extended to volunteers. That will not require legislation and will be covered in updated HMRC guidance.

### Policy objective

The objective of AMAPs is to support the transport needs of business. This measure provides tax relief for payments to employees using their own cars or vans for business use; NICs relief will follow the tax treatment.

### Background to the measure

- This measure is announced at Budget 2011.
- There has been no consultation on this measure.

## Detailed proposal

### Operative date

The new rate and the extension of passenger payments to volunteers will apply on and after 6 April 2011.

### Current law

Sections 229 to 230 of the Income Tax (Earnings and Pensions) Act 2003 provide for the approved mileage allowance payments for vehicles, and sections 233 to 234 provide for passenger payments. The rate for cars and vans provides the level at which employees using their own vehicles for business mileage can be reimbursed for that use by employers with no chargeable income arising as a result.