VEHICLE ALLOWANCES

This guide is designed to support negotiators seeking an agreement on vehicle allowance policies by setting out benchmark rates for compensation in using a vehicle for work.

It also outlines the regulations that surround taxation to assist in advising members.

Business use of own vehicle

Negotiating appropriate mileage rates

For workers who use their own car for work journeys, the appropriate rate for compensation should take into account maintenance, depreciation, contributions to insurance, road tax and servicing, as well as fuel costs.
The RAC no longer prepares a Motoring Costs Table on which you could base your costs. The AA has some guidance at www.theaa.com/driving-advice/driving-costs but no longer produce tables of running costs.

HM Revenue & Customs (HMRC) approved Mileage Allowance Payments (MAPs) are below (they are the same as in previous years since 2011-12.)


<table>
<thead>
<tr>
<th></th>
<th>First 10,000 business miles in the tax year</th>
<th>Each mile over 10,000 miles in the tax year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars and vans</td>
<td>45p</td>
<td>25p</td>
</tr>
<tr>
<td>Motor cycles</td>
<td>24p</td>
<td>24p</td>
</tr>
<tr>
<td>Bicycles</td>
<td>20p</td>
<td>20p</td>
</tr>
<tr>
<td>Passenger on work journey</td>
<td></td>
<td>5p</td>
</tr>
</tbody>
</table>

More generous allowances may have been negotiated as part of national and local agreements. However according to data collected for the Labour Research Department Payline, the majority of employers offer allowances the same or similar to the HMRC approved Mileage Allowance Payments.

HMRC allowances do not differentiate between cars using different types of fuels, such as diesel or electric cars, and most workplace policies similarly do not make a differentiation.

**Obtaining tax relief on mileage payments**

If payments to employees are above a certain amount, employers will have to report them to HM Revenue and Customs (HMRC) and deduct and pay tax. The amount is calculated using the HMRC approved Mileage Allowance Payments set out above.

Further details can be found at www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax.

If the employer pays lower rates, the employee will be able to get tax relief (called Mileage Allowance Relief, or MAR) on the unused balance of the approved amount.

To reclaim tax relief through Mileage Allowance Relief (MAR), it is vital that a worker maintains accurate records of business trips and reimbursement payments.

The procedure for claiming MAR can be found at https://www.gov.uk/tax-relief-for-employees#4.
Local government and NJC terms and conditions

The rates under local government NJC terms and conditions (England, Wales & Northern Ireland) have been set at the advisory levels below since 2010. (In Scotland they are decided by each local authority.)

The NJC scheme makes a distinction between ‘essential users’ who must have a car at their disposal whenever required and ‘casual users’ for whom it is desirable to have a car at their disposal when needed.

Essential users receive an annual lump sum in addition to the specified rate per mile.

<table>
<thead>
<tr>
<th>Engine capacity</th>
<th>Essential User Allowance</th>
<th>Casual User Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>451 - 999cc</td>
<td>£846 p.a.</td>
<td>46.9p p.m.</td>
</tr>
<tr>
<td>1000 - 1199cc</td>
<td>£963 p.a.</td>
<td>52.2p p.m.</td>
</tr>
<tr>
<td>1200 - 1450cc</td>
<td>£1,239 p.a.</td>
<td>65.0p p.m.</td>
</tr>
</tbody>
</table>

The NHS terms and conditions

The rates agreed for NHS staff under the NHS Terms and Conditions of Service (Agenda for Change) have stayed the same since July 2014 and are set out below. More details at www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs This also includes details of when the reserve rate of reimbursement will apply (paragraph 17.17)

From 1 January 2015 a local agreement for the reimbursement of travel costs, linked to HMRC “Approved Mileage Allowance Payments” (AMAP) is in place in NHS Wales, more details at www.wales.nhs.uk/documents/NHSWalesSection17.pdf
### NHS Terms and Conditions of Service (Agenda for Change)

<table>
<thead>
<tr>
<th>Type of Vehicle / allowance</th>
<th>Annual mileage up to 3,500 miles</th>
<th>Annual mileage over 3,500 miles</th>
<th>All eligible miles travelled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car (all types of fuel)</td>
<td>56p per miles</td>
<td>20p per mile</td>
<td></td>
</tr>
<tr>
<td>Motor cycle</td>
<td></td>
<td>28p per mile</td>
<td></td>
</tr>
<tr>
<td>Pedal cycle</td>
<td></td>
<td>20p per mile</td>
<td></td>
</tr>
<tr>
<td>Passenger allowance</td>
<td>5p per mile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve rate(^1)</td>
<td></td>
<td>28p per mile</td>
<td></td>
</tr>
<tr>
<td>Carrying heavy or bulky equipment</td>
<td></td>
<td>3p per mile</td>
<td></td>
</tr>
</tbody>
</table>

A breakdown of how the vehicle allowances are calculated and reviewed is explained in this Annex to the NHS Terms and Conditions of Service at [www.nhsemployers.org/tchandbook/annex-11-to-15/annex-12-motoring-costs](http://www.nhsemployers.org/tchandbook/annex-11-to-15/annex-12-motoring-costs).

### Other service groups

The rates for police staff have been set at the level of the HMRC approved mileage rates since 2017 more details within the Police Staff Council handbook found at [www.local.gov.uk/our-support/workforce-and-hr-support/police/police-staff/police-staff-council-handbook](http://www.local.gov.uk/our-support/workforce-and-hr-support/police/police-staff/police-staff-council-handbook)

In many other bargaining groups covered by UNISON, the rate is left to local negotiations.

If you would like examples of local agreements on rates relevant to your sector, contact **Bargaining Support at bsg@unison.co.uk** as we may be able to provide examples.

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\(^1\) The circumstances for applying the reserve rate are set out at [https://www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs](https://www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs), paragraph 17.7
Company cars

Negotiating appropriate mileage rates on company cars


These rates apply where employers:

- Reimburse employees for business travel in their company cars
- Require employees to repay the cost of fuel used for private use.

The rates applicable to journeys on or after 1 March 2019 are currently as shown in the table to the right.

<table>
<thead>
<tr>
<th>Engine size</th>
<th>Petrol – amount per mile</th>
<th>LPG – amount per mile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1400cc or less</td>
<td>11p</td>
<td>7p</td>
</tr>
<tr>
<td>1401cc to 2000cc</td>
<td>14p</td>
<td>8p</td>
</tr>
<tr>
<td>Over 2000cc</td>
<td>21p</td>
<td>13p</td>
</tr>
</tbody>
</table>

Hybrid cars are treated as either petrol or diesel cars for this purpose. The Advisory Electricity Rate for fully electric cars is 4 pence per mile.

These rates can be improved upon by negotiation, but are frequently adopted as the rate payable by employers because of the tax implications set out below of varying the rate.

Taxation on company cars

If a company car is provided to an employee, a portion of its value is taxable to take account of the private benefit from owning the car.

The taxable value is principally calculated on the basis of the list of the price of the car and accessories, multiplied by a percentage based on the level of carbon dioxide emissions it generates and the fuel the car uses.
The percentages applicable to the various levels of carbon dioxide emissions in 2019-20 run from a low of 16% to a high of 37%. An extra charge of 4% (up to a maximum of 37%) is applied to diesel cars that are not certified to the Real Driving Emissions 2 (RDE2) standard. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement.


Company cars are exempt from tax where they have been adapted for a disabled employee (and if the only private use is for journeys between home and work or to work-related training).

Where an employer pays for all fuel, the taxable value payable by an employee is calculated by taking the fixed sum, which is currently set at £23,400 for 2018-2019 increasing to £24,100 for 2019-2020 from 6 April, and multiplying this sum by the same percentage applicable to emission rates used for the taxable value of cars.

Therefore, the less a company car is used, the more likely it is that tax payments will outweigh the cost of fuel paid for by an employer. Any payment higher than the advisory rate is likely to be treated as earnings and subject to tax and National Insurance, unless it is possible to prove that the fuel cost per mile is higher than the advisory rate.

An explanation of how advisory fuel rates are calculated is set out at www.gov.uk/government/publications/advisory-fuel-rates/how-advisory-fuel-rates-are-calculated

A fuller explanation of the rules on car and fuel benefit is set out at www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23000

HMRC provides a quick calculator of car and fuel benefit at http://cccfcalculator.hmrc.gov.uk/CCF0.aspx
Salary sacrifice arrangements

A salary sacrifice arrangement is an agreement to reduce an employee’s entitlement to cash pay, usually in return for a non-cash benefit.

It has been commonplace for company car schemes to operate through salary sacrifice arrangements where the cost of a company car is spread over a number of years by a reduction in salary. These arrangements allowed the tax and National Insurance exemption of the reduction in salary.

However, company cars lost their tax free status when salary sacrifice rules were revised by the Government in 2017. All current schemes remain exempt until April 2021, but all new schemes starting from 6 April 2017 would be liable.

The only type of vehicles that retain salary sacrifice tax advantages are ultra low emission vehicles. The type of vehicles that qualify under this category cars are classified as emitting 75g/km CO\textsubscript{2} or less and further details can be found at www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye.

Cycle to work schemes also remain a legitimate salary sacrifice form of benefit, allowing an employee to purchase a bike and associated safety equipment at reduced cost.

Further guidance on salary sacrifice schemes is available, along with many other model agreements and guides from bargaining support at www.unison.org.uk/bargaining-guides.

UNISON has access to the Labour Research Department Payline database, which contains details of vehicle allowance agreements for employers across the economy.

For details of how to access Payline contact bargaining support on bsg@unison.co.uk.