


# Bargaining Support Group



## Bargaining on Vehicle Allowances

## Introduction

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.

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## BUSINESS USE OF OWN VEHICLE

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### 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 government's implied estimate of these costs is carried in the HM Revenue & Customs (HMRC) approved [Mileage Allowance Payment](#) (MAP) rate, which has remained unchanged since 2011-12 and is set out below.

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

Data collected by the Labour Research Department suggests that the MAP rates are the most commonly used rates used by employers for mileage allowances

However, the potential losses caused by the freezing of the MAP rate since 2012 are demonstrated by the fact that although petrol prices fell between 2012 and 2020, total motoring costs are estimated to have grown by 8.5% (as measured by Office for National Statistics Retail Price Index figures).

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.

In applying the rate, it is commonplace for agreements to specify that mileage is payable beyond the distance from the home to a "usual place of work."

Outside of the HMRC rate, the main alternative benchmarks for public service workers in negotiating over mileage rates are those that apply to specific service groups, shown below.

With the discontinuation of the RAC Motoring Costs Table, the only other common source for estimating motoring costs is the AA guidance at [www.theaa.com/driving-advice/driving-costs](http://www.theaa.com/driving-advice/driving-costs). NHS Agenda for Change mileage rates are pegged to these AA calculations and therefore can offer a basis from which to argue for a higher rate than MAP figures where annual mileage is less than 3,500 miles.

## Local government rates

The rates under local government NJC terms and conditions (covering England, Wales & Northern Ireland) have been set at the advisory levels below since 2010 (in Scotland, rates 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.

<b>Local Government NJC (England, Wales &amp; Northern Ireland)</b>			
<b>Essential User Allowance</b>			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
Lump sum	£846 p.a.	£963 p.a.	£1,239 p.a.
per mile first 8,500	36.9p p.m.	40.9p p.m.	50.5p p.m.
per mile after 8,500	13.7p p.m.	14.4p p.m.	16.4p p.m.
<b>Casual User Allowance</b>			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
per mile first 8,500	46.9p p.m.	52.2p p.m.	65.0p p.m.
per mile after 8,500	13.7p p.m.	14.4p p.m.	16.4p p.m.

The national local government scheme makes no recommendations for the appropriate payment rate for electric / hybrid vehicles. Different local authorities have therefore aligned them with different petrol engine rates. For copies of such agreements contact the Bargaining Support Group at [bsg@unison.co.uk](mailto:bsg@unison.co.uk)

## NHS rates

The rates agreed for NHS staff under the Agenda for Change terms have stayed the same since July 2014 and are set out below.

NHS Terms and Conditions of Service (Agenda for Change)			
Type of Vehicle / allowance	Annual mileage up to 3,500 miles	Annual mileage over 3,500 miles	All eligible miles travelled
Car (all types of fuel)	56p per miles	20p per mile	
Motor cycle			28p per mile
Pedal cycle			20p per mile
Passenger allowance			5p per mile
Reserve rate <sup>1</sup>			28p per mile
Carrying heavy or bulky equipment			3p per mile

More details of the scheme are carried at [www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs](http://www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs)

From 1 January 2015 a local agreement for the reimbursement of travel costs, linked to HMRC approved Mileage Allowance Payments has been in place in NHS Wales - more details at [www.wales.nhs.uk/documents/NHSWalesSection17.pdf](http://www.wales.nhs.uk/documents/NHSWalesSection17.pdf)

A breakdown of how the vehicle allowances are calculated and reviewed is explained in the NHS Terms and Conditions of Service under Annex 12 - [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) .

<sup>1</sup> 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>, paragraph 17.7

## Other service group rates

The rates for police staff have been set in line with NJC for essential users and the HMRC MAP rates for casual users since 2017. More details of the scheme are set out in 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 2020, a variation on usual rules for deducting the distance between home and the place of work in claiming mileage was agreed. This deduction is only now made where “the journey is, in whole or in part, substantially the same as the daily commute and/or where the distance travelled is less than ten miles longer than the normal daily commuting distance in any one direction.”

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](mailto:bsg@unison.co.uk) as we may be able to provide examples.

## Obtaining tax relief on mileage payments

If mileage payments to employees are above the HMRC Mileage Allowance Payment threshold set out above, employers have to report the excess to HM Revenue and Customs (HMRC) for deduction of tax.

Further details can be found at [www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax](http://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax).

If the employer pays lower rates, the employee will be able to obtain 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>.

## COMPANY CARS

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### Negotiating appropriate mileage rates

HMRC publishes Advisory Fuel Rates (AFRs) for company car users at <https://www.gov.uk/guidance/advisory-fuel-rates>

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 as of 1 June 2021 are as shown in the table below

Engine size	Petrol – amount per mile	LPG – amount per mile
1400cc or less	11p	8p
1401cc to 2000cc	13p	9p
Over 2000cc	19p	14p
Engine size	Diesel	
1600cc or less	9p	
1601cc to 2000cc	11p	
Over 2000cc	13p	

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 2021-2022 run from a low of 1% 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.

The government guidance for employees on conducting the tax calculation is set out at <https://www.gov.uk/calculate-tax-on-company-cars>

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 a fixed sum specified by the HMRC, which is currently set at £24,600 for 2021-2022, 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](http://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](http://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23000)

HMRC provides a quick calculator of car and fuel benefit at <http://ccccalculator.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. Existing schemes remained exempt until April 2021, but all new schemes starting from 6 April 2017 became 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 are cars classified as emitting 75g/km CO<sub>2</sub> or less and further details can be found at [www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-payee](http://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-payee) .

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.

## CAR ALLOWANCES

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As an alternative to providing a company car, some agreements establish car allowances for staff who require a car as part of their work.

Allowances are taxed at the same rate as the employee's salary. Allowances usually offer the employee greater choice in the type of car acquired than a company car system. However, they also mean that the employee carries responsibility for the servicing, maintenance and insurance costs, which rest with the employer under a company car system

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](http://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](mailto:bsg@unison.co.uk)