

Bargaining on mileage payments

UNISON Bargaining
Support Group

Including current payment rates, making the
case for improvements and qualifying mileage



Introduction

This guide is designed to support negotiators seeking an improvement to mileage rates against the background of surging motoring costs, as one of the main features of the general cost of living crisis hitting UNISON members over recent years.

It outlines the recommended rates commonly used, the case that can be assembled in pressing for improvements and the rules on mileage qualifying for payment.

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USE OF OWN VEHICLE FOR WORK

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](#) (AMAP) rate, which has remained unchanged since 2011-12 and is set out below.

	First 10,000 business miles in the tax year	Each mile over 10,000 miles in the tax year
Cars and vans	45p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Passenger on work journey	5p	

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

However, the potential losses to staff using their own vehicles as a result of the freezing of the AMAP rate since 2011 are demonstrated by the fact that¹:

- Total motoring costs have risen by 47% since 2011²;
- The cost of petrol and oil has risen by 17% since 2011;
- Vehicle maintenance costs have risen by 53% since 2011;
- The weighted average increase covering petrol / oil and vehicle maintenance costs (as the main elements of additional costs imposed on staff who use their own vehicle for work) has been 29% since 2011³.

¹ These percentage increases are calculated using the Retail Prices index between April 2011 (when AMAP rates were last raised) and October 2023

² Total motoring costs are composed of expenditure on "purchase of motor vehicles", "maintenance of motor vehicles", "petrol and oil", "vehicle tax and insurance"

³ The weighted average has been calculated using the RPI weights for 2022, showing that petrol and oil made up 65% of costs compared to vehicle maintenance at 35%

Therefore, a model letter is set out on the next page that can be adapted to local circumstances in raising this matter with an employer and seeking urgent increases to rates in line with the costs actually faced by staff.

Alternatively, where the employer is not part of a national pay claim (such as in the case of private contractors or community and voluntary organisations), it may be useful to raise the issue as part of a wider pay claim, placing the matter in the context of other major increases in costs facing workers.

UNISON's general guidance and model pay claim are set out on these links –

<https://www.unison.org.uk/pay-claims/>

<https://www.unison.org.uk/model-pay-claim/>

In making this case, it may be useful to provide a copy of the report produced by the RAC in July 2023, which made the case for a major uplift in the AMAP rates.

https://www.racfoundation.org/wp-content/uploads/Updating_AMAPS_Tim_Chatterton_July_2023.pdf

Model letter to raise mileage rates with employer



Dear [Name],

Staff mileage rates

I am writing in relation to [name of employer]'s scheme for compensating staff for the use of a vehicle in discharging their work duties.

As you will know, motoring costs in terms of both fuel and vehicle maintenance expenses have shown major sustained increases since [name of organisation]'s mileage rates were last raised in [year].

The latest data from the Office for National Statistics shows the following increases:

Costs	Increase since 2011
Total motoring costs	47%
Petrol and oil costs	17%
Vehicle maintenance costs	53%
Combined weighted petrol & oil / vehicle maintenance costs	29%

These increases are now leaving staff facing costs that [name of employer]'s mileage rate scheme simply does not cover and staff are effectively subsidising [name of employer]'s operations.

A recent study by the RAC found that a worker driving 5,000 miles per annum for work would be losing close to £1,000 a year because of the inadequacy of HMRC rates covering their actual costs.

At this time of immense pressure on the standard of living of all staff, it is vital that this situation is remedied speedily and mileage rates are raised in accordance with the actual increase in motoring costs since [name of employer]'s mileage rate scheme was last adjusted.

Therefore, our claim is for an increase in mileage rates to the following levels.

[If the employer pays HMRC rates, those rates with a 29% uplift applied in line with the combined petrol & oil / vehicle maintenance costs since 2011 are as below.

Therefore, the claim can utilise this table to emphasise what the branch is seeking.]

	First 10,000 business miles in the tax year	Each mile over 10,000 miles in the tax year
Cars and vans	58p	32p
Motorcycles	31p	31p
Passenger on work journey	6p	

I look forward to hearing from you.

Yours sincerely

This letter references increases in costs since 2011, but if the employer's scheme was last raised at a different time, please contact the Bargaining Support Group via bsg@unison.co.uk for figures on increases over a different timeframe. Similarly, for assistance in calculating inflationary increases on a different baseline than the HMRC rates, please contact Bargaining Support.

Model survey questions to support claim

The case to put to an employer is always likely to be boosted where evidence can be gathered from members to support the claim for improvements.

This can be done as part of a general pay survey among members (UNISON's guidance on this link carries such a model survey in Appendix 3– <https://www.unison.org.uk/pay-claims/>) incorporating the questions below or as a very short stand-alone survey (Appendix 3 also carries advice on conducting the survey online).



UNISON SURVEY

UNISON [branch name] is currently assembling the case to put to [name of employer] for an improvement in mileage rates that cover the greatly increased motoring costs since rates were last set. In order to ensure this claim is firmly based on your experiences and views, we would greatly appreciate it if you could spare the time to complete this very short survey.

All responses to this questionnaire are anonymous and will be treated as confidential. It will not be possible to identify any individual from information used for the claim.

1. Do you use a vehicle in conducting your work duties?	
Yes, I use my own vehicle	<input type="checkbox"/>
Yes, I have a company vehicle (sometimes referred to as a leased vehicle)	<input type="checkbox"/>
Yes, I use a company pool vehicle	<input type="checkbox"/>
No	<input type="checkbox"/>

2. If you do use a vehicle, do the current mileage rates fully cover your costs for work journeys	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

3. If the current mileage rates do not cover your costs, please estimate the shortfall between the costs you incur and the compensation you receive (ideally, please provide an estimate of the weekly shortfall, but an estimate for any timeframe or distance is of help)	

Possible additional measures

While an increase in mileage rates should be the central focus of bargaining for improvements, it may also be useful to consider other measures that reduce the costs faced by staff.

These can include:

- Seeking an adjustment to compensation schemes so that the higher rate applies up to a higher distance threshold. For instance, the AMAP rate falls after a 10,000-mile threshold. Local agreement can maintain the compensation rate to a higher threshold.

Equally, variation can be sought to the sector specific schemes set out in the following pages of this guide. However, the taxation implications are also highlighted later in this guide;

- The provision of fuel cards so that payment initially comes directly from the employer rather than initially from the employee with later reimbursement of payments made by staff.

The calculation of private use mileage on a fuel card would then allow for subsequent adjustment for appropriate salary and tax deductions. This option will be most feasible where business car usage is high;

- Moving to a system of paying expenses weekly rather than monthly or paying mileage expenses in advance where feasible;
- Reviewing the employer's allowances for public transport, such as offering subsidised travel passes, to reduce the pressure on staff to revert to vehicles in discharging their duties.

The threat to revert to public transport in discharging all work duties has also been successfully used by some branches to increase pressure on employers to raise mileage rates.

Sector specific mileage schemes

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.

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.

Local Government NJC (England, Wales & Northern Ireland)			
Essential User Allowance			
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.
Casual User Allowance			
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.

These rates are a basis to work from and many branches have successfully negotiated improvements.

Particularly over 2022, when petrol prices were peaking, these increases were agreed as compensation:

- Gateshead Council agreed a three month increase in its casual car rate from 46.9p per mile to 52.2p per mile;
- Wakefield Council implemented higher rates from 1 July until 31 December 2022, resulting in the casual car user rate rising from 45p per mile to 65p per mile, essential car user rate from 22.5p per mile to 32.5p per mile, and motorcycle rate from 24p per mile to 34p per mile;

- North Norfolk Council announced that it would raise the casual car user rate rises from 45p per mile to 60p per mile;
- Knowsley Council agreed a 38% increase by paying mileage at the rate of the largest engine size for both essential and casual users until March 2023;
- High Peak Borough Council proposed an increase in the rate for essential car users rise to 45p per mile and new rates of 24p per mile and 20p per mile introduced for motorbikes and bicycles respectively.

If you have further examples of agreed increases, please contact Bargaining Support via bsg@unison.co.uk as they can offer valuable benchmarks to quote for negotiators.

NHS rates

The rates agreed for NHS staff under the Agenda for Change terms were revised from 1 January 2023 as 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)	59p per miles	24p per mile	
Motor cycle			30p per mile
Pedal cycle			20p per mile
Passenger allowance			5p per mile
Reserve rate ⁴			28p per mile
Carrying heavy or bulky equipment			3p per mile

More details of the scheme are carried at [NHS Terms and Conditions of Service Handbook | NHS Employers](#) under Section 17

⁴ The circumstances for applying the reserve rate are set out at [NHS Terms and Conditions of Service Handbook | NHS Employers](#) under paragraph 17.7

The exception to these rates is NHS Wales, which switched to the HMRC Approved Mileage Allowance Payments in 2015. NHS Wales then instituted a protocol in 2022 which raised the AMAP 45p per mile rate to 50p per mile when the Advisory Fuel Rate rises 15% above its level over the baseline period, taken as June-August 2021. This means that the threshold for the 5p increase is met when the Advisory Fuel Rate is running at £1.50 per litre or 15.2 pence per mile.

Improvements to the NHS rates in response to surging fuel costs were agreed at a number of NHS trusts, principally at the peak of price rises in 2022:

- Suffolk and North East Essex CCG (ICB) and West Suffolk Foundation Trust (Acute and Community Hospitals and Services) extended the 56p rate to apply regardless of mileage;
- Newcastle Upon Tyne NHS Hospitals Foundations Trust added 5p to the car mileage rates;
- North Derbyshire Mental Health Trust increased the rate for mileage up to 3,500 miles from 56p to 71p;
- Northamptonshire NHS Trust agreed that from May to July 2022 it would raise by 20%:
 - The rate for miles up to 3,500 from 56p per hour to 67p per mile;
 - The locally negotiated enhanced mileage rate for those travelling over 3,752 miles per annum from 36.9 pence to 44.3 pence per mile.
- Royal Cornwall NHS Trust and Cornwall Partnership NHS Foundation Trust raised the rate for mileage between 3,501 and 10,000 miles to 45p per mile, alongside an increase in the rate for mileage over 10,000 miles to 25p per mile (bringing those payments in line with the HMRC AMAP rates)
- North Cumbria Integrated Care Trust agreed to pay a 10.9p increase per mile from August 2022 for the following three months.

If you have further examples of agreed increases, please contact Bargaining Support via bsg@unison.co.uk as they can offer valuable benchmarks to quote for negotiators.

Other service group rates

The rates for police staff have been set in line with NJC for essential users and the HMRC AMAP 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

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

Examples of improvements to mileage rates achieved in 2022 for employers outside of local authorities / the NHS are as follows:

- Wheatley Homes raised the annual mileage rate (for all engine capacities) to 66p per mile up to 1,000 miles, 54p per mile up to 7,500 miles, and set the passenger mileage rate after 8,500 miles at 16p per mile.
- Beyond Housing uplifted their mileage rate temporarily by 5p per mile from the HMRC rate for the first 10,000 miles from 1 April 2022. All other mileage remained at HMRC rates. The rate was subject to review every three months, based on fuel costs and affordability.
- Nottingham Community Housing Association agreed to increase mileage rates from 1 August 2022 (though subject to change if the cost of fuel came down). The increase added 9p per mile to the basic HMRC rates, raising payments to 54p per mile for the first 10,000 miles and 34p for miles above 10,000 miles.

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.

Electric and hybrid vehicles

Mileage payment schemes are frequently framed in terms of petrol or diesel run vehicles and are silent on the treatment of electric/hybrid vehicles.

In practice, payment is normally aligned with one of the existing scheme rates. For example, among local authorities there are examples of electric/hybrid vehicle compensation on the following basis:

- A lump sum payment in line with 1200-1450cc essential user payment;
- Rates in line with the essential user rates for 451-999cc petrol cars;
- Rates in line with the standard HMRC AMAP rates, though some have chosen to apply the 45p rate with no mileage limit.

The Welsh Government Energy Service advises that electric vehicle mileage is reimbursed at the same rate as petrol/diesel vehicles.

<https://www.gov.wales/sites/default/files/publications/2023-04/energy-service-technical-advice-note-bev-mileage-rates.pdf>

For copies of agreements that include electric/hybrid vehicles, contact the Bargaining Support Group at bsg@unison.co.uk

Obtaining tax relief on mileage payments

If mileage payments to employees are above the HMRC Approved 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.

If the employer pays lower rates, the employee is 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

Negotiating appropriate mileage rates

HMRC publishes Advisory Fuel Rates (AFRs) on a quarterly basis for company car users (often referred to as leased 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.

Unlike MAP rates, the AFR has seen increases and rates applicable to journeys as of 1 December 2023 are as shown in the table below.

Engine size	Petrol – amount per mile	LPG – amount per mile
1400cc or less	14p	10p
1401cc to 2000cc	16p	12p
Over 2000cc	26p	18p
Engine size	Diesel	
1600cc or less	13p	
1601cc to 2000cc	15p	
Over 2000cc	20p	

Hybrid cars are treated as either petrol or diesel cars, but the Advisory Electricity Rate for fully electric cars is 9 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 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 2022-2023 run from a low of 2% to a high of 37%.

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, including that for personal use, the taxable value payable by an employee is calculated by taking a fixed sum specified by the HMRC, which is currently set at £27,800 for 2023-2024, and multiplying this sum by the same percentage applicable to emission rates noted above used for the taxable value of cars.

Since this results in a fixed value rather than a value dependent on usage, the less a company car is used, the more likely it is that tax payments will outweigh the actual cost of fuel consumed for private use.

Where an employer pays for fuel used on business journeys as they are incurred, any payment higher than the advisory rate is likely to be treated as earnings and subject to tax and National Insurance.

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://cccfcaculator.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 CO₂ or less and further details can be found at www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay .

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 on this link <https://www.unison.org.uk/bargaining-guides/>

QUALIFYING MILEAGE

In deciding what work journeys qualify for mileage payments, employers again tend to take their cue from the rules applied by the HMRC for tax purposes.

Usually, the HMRC does not treat travel between an employee's home and designated work-base as a legitimate expense incurred for work. It would define such travel as "ordinary commuting" and so would treat any payment as a taxable benefit.

There are exceptions to that rule that can become quite complex:

- A permanent homeworker with a contract stating that their place of work is their home would be likely to receive tax exemption. Workers who have arrangements to work from home, but have an office or other designated site as their contracted place of work, would not generally have their travel to work treated as a legitimate expense incurred for work. UNISON's full guidance on hybrid and homeworking includes a more detailed section on travel time - <https://www.unison.org.uk/working-from-home-and-hybrid-working-bargaining-guide-and-model-policy/>
- Travel from home to a temporary workplace can be treated as a legitimate expense incurred for work. The definition of a temporary workplace is that an employee must go "there only to perform a task of limited duration or for a temporary purpose." If an employee "has spent, or is likely to spend, 40% or more of his or her working time at that particular workplace over a period that lasts, or is likely to last, more than 24 months" it does not qualify as a temporary workplace but as a permanent workplace.

This rule is set out here:

[EIM32075 - Travel expenses: travel for necessary attendance: definitions: temporary workplace - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

- Changes to workplaces that do not substantially affect travel time mean that they are treated as a single workplace for the purpose of deciding whether a workplace is a temporary workplace.

This rule is set out here:

[EIM32280 - Travel expenses: travel for necessary attendance: safeguards against abuse: changes to a workplace - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

- For employees who do not have a single site as a permanent workplace but instead have an employment for which their duties are defined by a particular geographical area, the whole of that geographical area is treated as their permanent workplace if all of the following conditions are met:
 - The employee has no single place that is his or her permanent workplace and
 - The employee attends the area regularly and
 - The duties of the employee's employment are defined by reference to that area and
 - If the area was to be treated as a workplace it would be a permanent workplace.

This rule is set out here:

[EIM32190 - Travel expenses: travel for necessary attendance: duties defined by reference to a particular area - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

The HMRC offers this example of how these rules can be applied

An employee is a social worker. Her duties are defined by reference to an area but she has an office that she regularly attends. Although much of her time is spent visiting clients within her area, her office is a permanent workplace, see [EIM32065](#).

Although she meets the second and third conditions in [EIM32190](#), she does not meet the first condition. Therefore the area for which she is responsible cannot be treated as her permanent workplace. No deduction is due for the cost of her travel between home and her office because it is ordinary commuting. A deduction is due for the cost of her travel between her office and her clients.

In practice, it is commonplace for employers to establish agreements for payment of mileage above the normal commute in travelling to and from home to work.

IMPLICATIONS FOR NATIONAL MINIMUM WAGE

The following points should be considered in ensuring that mileage costs do not push pay rates below the National Minimum Wage.

- If an employee pays for expenses in connection with their employment, and these expenses are not met by the employer, the value of those expenses will **reduce** the employees “remuneration” for the purpose of the National Minimum Wage Act (as per [regulation 13\(b\) of the National Minimum Wage Regulations](#))
- Even if the expenses are met by the employer, the expenses will not form part of a workers remuneration for the purposes of the National Minimum Wage Act (as per [regulation 10\(l\) or \(n\) of the National Minimum Wage Regulations](#)).
- This means that the both the amount of any reimbursement **and** the amount of any “mileage deficit” (i.e. work-related mileage costs that are not reimbursed) can be subtracted from an employee’s total earnings to determine whether the employer is complying with the National Minimum Wage Act.
- If the “mileage deficit” truly does bring employees’ remuneration below the minimum wage, they may have grounds for a claim under the National Minimum Wage Act.

UNISON’s full bargaining guidance on the National Minimum Wage on this link <https://www.unison.org.uk/national-minimum-wage-6/> sets out the general issues in the treatment of travel time for enforcing compliance by an employer.

Similarly, UNISON’s bargaining guidance on working hours on this link <https://www.unison.org.uk/working-hours-bargaining-guide/> sets out the treatment of travel time for enforcing rights under the Working Time Regulations