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UPRATING MILEAGE ALLOWANCES

Budget Representation by Association of Taxation Technicians

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to make representations in relation to the 2023 Budget.
- 1.2 The ATT considers that in the light of inflation figures reaching a nearly 40-year high last year, the Government should consider uprating the Approved Mileage Allowance Payments (AMAPs) in s230 ITEPA 2003 which provide a statutory exemption from tax for payments by employers to employees who carry out business travel in their own vehicles. The current rates have been unchanged for at least 10 years and in some cases many decades more. While ideally, we would like to see all reliefs and allowances uprated annually, we are focusing this representation on AMAPs as these are used by the vast majority of employers who reimburse business travel. AMAP rates thus affect a large number of employees, including those at the lower end of the wage spectrum, such as care workers. As such, changes here would affect a great many individuals.
- 1.3 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

2 Our recommendation

- 2.1 Our recommendation is that all of the approved amounts for mileage allowance payments set out in s230 ITEPA 2003 should be uprated to better reflect the current costs of running and maintaining a personal vehicle which is used for business travel. Thereafter, AMAPs should be reviewed and updated, if required, on an annual basis.

3 Background to our recommendation

- 3.1 AMAPs exist as a statutory simplification to allow employers to reimburse their employees for business travel in their own cars, vans, motorcycles or cycles without tax consequences for either party. The main rate of 45p/mile applies for the first 10,000 miles of travel in a private car or van and it then drops to 25p/mile for any mileage beyond that. A further 5p/mile can be paid per passenger where the employee is carrying

passengers for whom the journey is also business travel. The rate for motorcycles is 24p/mile and 20p/mile for cycles.

- 3.2 The main rate for cars and vans for the first 10,000 miles was last changed in April 2011 and the rates for mileage in excess of that limit, or any mileage on a motorcycle or cycle have been unchanged since at least 2001.
- 3.3 These rates are so out of date that employees doing business mileage are effectively left out of pocket.
- 3.4 If an employer chose to pay higher mileage rates which were better reflective of the cost to the employee of running a vehicle, then this would create tax implications for employee and employer, together with significant administration for the employer and additional work for HMRC.
- 3.5 A further benefit of increasing the AMAP rates is that even if some employers were unable or unwilling to increase their payment rates, employees would at least be able to obtain some tax relief on the difference between what they had been reimbursed for business mileage, and what they could have been entitled to.

4 Contact details

- 4.1 We would be pleased to join in any discussion relating to this representation. Should you wish to discuss any aspect of this representation, please contact our relevant Technical Officer, Helen Thornley on atttechnical@att.org.uk.

The Association of Taxation Technicians

26 January 2023

5 Note

- 5.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

The Association has more than 9,000 members and Fellows together with over 5,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.