

Do you know your MAPS from your AMAPS?

A tax blog by Michael Steed

I've been having a wander through the legislation on payments made to employees for business travel in cars and I was minded to write a blog on this after the last joint AAT/ATT conference in Birmingham where a few delegates insisted that an employee could have the Authorised Mileage Allowance Payment (AMAP) (now of course 45p per mile for the first 10,000 miles), where an employee also has a company car.

They insisted that the HMRC website says that this is OK. It says no such thing!

To clarify the position, I'd like to set out the definitions and the phrases, so that we are clear what they mean:

The first term up is a **Mileage Allowance Payment (MAP)**. This is defined in S229, ITEPA 2003 (ITEPA). In simple language it means any payment made to an employee for the use of the employee's own "vehicle" (which can be a car, van, motor cycle or cycle (S235, ITEPA 2003)). It is nothing to do with payments to employees who have company cars. We will deal with those later in this blog.

It is important to appreciate that a MAP can be taxable or exempt for IT/NICs purposes, depending on the situation.

If the MAP is "approved" it becomes an **Authorised Mileage Allowance Payment (AMAP)** and it is exempt for IT and NICs. We know and love this as the 45p/25p system.

If a MAP is greater than the AMAP, then the excess is taxable and NICable.

If the MAP is less than the AMAP, then the employee can make a claim for the balance and claim a tax rebate (either through a tax return or through the form P87). In this case, the relief is called the **Mileage Allowance Relief (MAR)**.

Confused? I'm not surprised!

Can I get a dispensation for MAPs? No. The reason is that they are either taxable or exempt, so a dispensation is not in point.

So what about company car holders?

This is the bit that caused some confusion in Birmingham. Let's repeat the key point. You cannot use the MAP/AMAP system for these employees. Company cars are specifically excluded from the system in S229(4), ITEPA 2003.

However, you can use the AMAP system for employees who don't have an actual company car, but who do have a salary equivalent.

So, what's the position for employees who do have a company car?

This is where the advisory rates kick in.

The legal point is that the car benefit charge is reduced to nil, if either, the employee is required to make good all his or her private mileage, or (and this is our point here), the employer pays the employee an amount which only covers the fuel element for business miles (see S151 and 171 of ITEPA 2003).

So if the rate paid per mile is no higher than the advisory rate, then HMRC accepts that there is no taxable profit and no class 1 NICs issues. Remember though, that these are advisory only – an employer may decide to pay higher than the rates (say because of 4X4s with lots of off-road work) or lower, because of fuel efficient cars.

These can (unlike the MAPs/AMAPs), be used as the basis for a dispensation.

In 2011, HMRC has decided to change the rates four times per year instead of their usual two times per year. Any changes will take effect at the beginning of each calendar quarter – on 1 March, 1 June, 1 September and 1 December and will be published on the HMRC website shortly before the date of change.

The latest rates (below) apply to all journeys on or after 1 December 2011. For one month from the date of change, employers may use either the previous or new current rates, as they choose.

(from HMRC's website):

Engine size	Petrol	LPG
1400cc or less	15p	10p
1401cc to 2000cc	18p	12p
Over 2000cc	26p	18p

Engine size	Diesel
1600cc or less	12p
1601cc to 2000cc	15p
Over 2000cc	18p

Petrol hybrid cars are treated as petrol cars for this purpose.

These rates are calculated from the fuel prices in the tables below:

Petrol

Engine size (cc)	Mean (MPG)	Applied (MPG)	Fuel price (per litre)	Fuel price (per gallon)	Pence (per mile)	AFR
up to 1400	48.1	40.9	133.4	606.3	14.8	15
1401 - 2000	40.7	34.6	133.4	606.3	17.5	18
over 2000	27.8	23.7	133.4	606.3	25.6	26

Diesel

Engine size (cc)	Mean (MPG)	Applied (MPG)	Fuel price (per litre)	Fuel price (per gallon)	Pence (per mile)	AFR
Up to 1600	61.1	51.9	141.1	641.3	12.4	12
1601 to 2000	50.6	43.1	141.1	641.3	14.9	15
Over 2000	41.2	35	141.1	641.3	18.3	18

LPG

Engine size (cc)	Mean (MPG)	Applied (MPG)	Fuel price (per litre)	Fuel price (per gallon)	Pence (per mile)	AFR
up to 1400	38.5	32.7	73.9	336	10.3	10
1401 – 2000	32.6	27.7	73.9	336	12.1	12
over 2000	22.3	18.9	73.9	336	18.7	18

Notes:

1. Mean mpg - miles per gallon - from manufacturers' information, weighted by annual sales to businesses (Fleet Audits, 2010).
2. Applied mpg - adjusted downwards by 15 per cent to take account of real driving conditions and lower fuel economy for older cars.
3. For LPG, mpg is assumed to be 20 per cent lower than for petrol due to lower volumetric energy density.
4. Department for Business, Innovation & Skill's latest petrol and diesel prices (21 November 2011), LPG (UK Average) from AA website (November 2011).

Will the rate per mile figures change if fuel prices go up or down?

In view of the increased frequency of review, HMRC will no longer consider changing the rates if fuel prices fluctuate by 5 per cent from the published rates.

Employers should make themselves aware of any changes by referring to this page in late February, May, August and November each year. It is the primary source of information.

VAT

HMRC will also accept the figures in the table for VAT purposes though employers will need to retain receipts in line with current legislation.

(end of HMRC's website reference

So (deep breath!) when it's all put together, I think it looks like this:

