

Introduction

If you use your own car, van, motorcycle or cycle for work journeys, you can be paid an allowance by your employer to cover some or all of the costs. This allowance can be paid to you in the form of a lump sum or by periodic payment, and is usually based on a rate per mile.

Provided certain rules are met these payments can be made to you free of tax and National Insurance contributions (NICs).

What payments are included?

The only tax-free payments that can be made to you are those that are:

- made to you personally (not those made to someone else on your behalf)
- for expenses related to the use of your own vehicle for work journeys
- within a limit fixed by law which is based on your business mileage.

All other payments related to your own vehicle, including those made to someone else on your behalf, are taxed as earnings in the normal way.

The rules for National Insurance are slightly different, but your employer is responsible for working out any amounts that you are entitled to receive without paying NICs.

If you are paid an allowance for non-work journeys you will have to pay tax and NICs on them in the usual way. Nothing in this document applies to those payments.

Which journeys are 'work journeys'?

The table below distinguishes work journeys and non-work journeys.

Work journeys	Non-work journeys
Journeys that you have to make in the course of doing your job. Examples include: <ul style="list-style-type: none"> • delivering goods, or • making calls to customers. 	Private journeys unrelated to work. <p>Journeys to and from your place of work (commuting journeys), even if you call at a client's on the way (unless the journey is significantly different from your usual commuting journey).</p>

How are the tax-free amounts worked out?

The maximum you can receive tax-free for a tax year is your mileage on work journeys multiplied by a set rate per mile.

There are three kinds of vehicle, and the rate depends on the kind you use - car or van, motorcycle and cycle.

You can find the rates that apply to each type of vehicle on our website, go to www.hmrc.gov.uk/rates and select *Travel*.

What if my actual expenses are more than the tax-free amount?

The tax-free amount is the maximum relief you are entitled to in any tax year. You are not entitled to any additional relief if your actual expenses are more than the tax-free amount, whether for interest payments, business insurance, depreciation or any other payments you may have to make on your car. All of these types of expense have been taken into account when working out the rates above.

What if I am paid more or less than the tax-free amount?

If you are paid **more** than the tax-free amount, the excess is taxable as income. Your employer is responsible for advising us of the amount and tax is normally collected via your PAYE tax code. If you receive a tax return, you are responsible for including the same amount on the return.

If you are paid **less** than the tax-free amount, you are entitled to Mileage Allowance Relief. This means that if your employer pays you less than the maximum rate per mile for work journeys, you will be entitled to additional tax relief for the amount that the payments fall short.

You can advise us of this by letter, or you can fill in form P87 *Tax relief for expenses of employment*. You will find form P87 on our website, go to www.hmrc.gov.uk/mileage

What about payments made for passengers?

You can receive payments free of tax and NICs for carrying fellow employees in a car or van on journeys that are also work journeys for them. Only payments specifically for carrying passengers count.

You will find the current rate for carrying passengers on our website, go to www.hmrc.gov.uk/rates and select *Travel*.

If you are paid less than the tax-free amount, or nothing at all, no relief is due.

What records do I need to keep?

You will need to keep records of your work journeys (date, mileage and details of the journey). This is because your employer will need to know the mileage in order to make any expenses payments to you. You will need them to substantiate your right to any Mileage Allowance Relief, whether or not you do this via a tax return.

What if I use more than one vehicle in the year?

It does not matter how many vehicles of the same kind you use in the year; you are treated as though you had used the same vehicle throughout. Calculations for vehicles of different kinds (for example, a car and a motorcycle) are kept separate.

All excess payments must be reported, even if you are entitled to Mileage Allowance Relief for another kind of vehicle.

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What if I travel on business for more than one employment?

If you have two or more employments that are associated then your business travel for both is added together to work out when you are no longer entitled to the higher mileage rate for business mileage in a car or van for that tax year.

Employments are associated if they are:

- with the same employer, or
- with different employers who are under the same control.
For example, two different companies in the same group of companies.

If the employments are not associated you are entitled to the higher mileage rate for business mileage travelled in each employment as though you did not hold the other employment.

Further information

You can find further information about mileage expenses on our website, go to www.hmrc.gov.uk/mileage

We have a range of services for people with disabilities, including leaflets in Braille, audio and large print. For details please ask at your HMRC office or Enquiry Centre.

These notes are for guidance only and reflect the tax and NICs position at the time of writing. They do not affect any right of appeal.