



Can I claim motor expenses as a tax deductible business expense (mileage claims)?

What are mileage expenses?

Mileage expenses are expenses that a business may pay an employee (or director) for using their own vehicle for business purposes, **and which are fully tax deductible for the business itself.**

HMRC allow businesses to pay employees up to an amount (the 'approved amount or rate') per mile where there is use of their own motor vehicle, van, motor cycles and even bicycle.

However the key issue is that these approved rates apply to business related journeys only!

What costs do mileage expenses cover?

The mileage expense rates have been calculated by HMRC to ensure that they cover an appropriate element of the various motoring costs that are being incurred personally by the employee (or director) (for their motor vehicle, van, motor cycle etc.) e.g.

- Fuel, servicing and/or MOT costs,
- Motor repairs
- Insurance
- Depreciation of the vehicle

What costs do mileage expenses NOT cover?

The mileage expense rates do not cover other incidental costs associated with motor travel, which are generally reimbursed separately outside of the mileage rate (when related to the specific business journey) e.g.

- Motorway tolls
- Parking fees
- Congestion charges





Are these payments 'tax free' to the employee or director?

Where an employee is paid at or below, the approved amount i.e. rate per mile, then these amounts can be paid out by the business without any requirement to report them to HMRC, or for the employee to pay any tax.

Generally there is no practical reason why a business should reimburse rates of mileage that are higher than HMRC's approved rates, but where a business does this then there are a number of consequences e.g. an annual P11d form will need to be prepared by the business for each employee receiving these (higher) mileage payments and the amounts (above the approved rates) will be taxable on each employee (in their Self Assessment tax return).

What counts as a business journey?

The two tests that HMRC uses to assess this are as follows:

You are unable to carry out your job unless you make this trip, e.g. a courier.

You have to be somewhere other than your usual place of work, in order to carry out your duties, for example, you usually work in a particular office, but you need to go to another location to meet clients, staff, suppliers or to a temporary work location

Please also note that a business journey is generally NOT a journey from an employee (or director's) home location to the normal office location e.g. home to work commuting.

HMRC approved mileage rates

An example of the approved amount(s) are set out below, and are calculated based upon specific thresholds of the number of miles/kms actually travelled on relevant business journeys annually.

Vehicle Type	First 10,000 miles	After 10,000 miles
Cars / Van	45p	25p
Motorcycles	24p	24p
Bikes	20p	20p

