

FOCUS ON

Tightening up your mileage reporting

There are suggestions in the press that HMRC are involved in some significant review of employer records to ensure that the mileage costs reimbursed by the employer are reasonable. Whilst HMRC have started a programme of employer compliance activity it is fair to say that review is not targeted specifically at mileage recording. Having said that it is important and sensible that employers do take a step back and ensure that they have adequate procedures and controls in place.

In our experience of working with car dealerships and advising on their employer compliance it is not uncommon to find issues arising in regard to mileage claims.

The issues are generally falling into the following areas:

1. There are inadequate records to support the mileage claimed by the employee for a business journey. HMRC at the time of an employer compliance review would expect records to be available to show the detail of the journey undertaken by the particular employee. In an ideal world that record would show the post code at the start and end of the trip, the purpose of the trip and the mileage travelled. HMRC would also expect some controls to be in place to check that the mileage claimed looks realistic
2. There is misunderstanding of what mileage can be claimed by employees. The tax rules do not permit under normal circumstances mileage reimbursement for commuting journeys. We have seen instances within the industry where employees have been confused over where they are actually based and therefore what mileage would be permitted. We have had workers consider themselves to be 'home based' and therefore

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to claim any mileage they cover from their home when in fact they are contracted to work from a particular dealership site. There are also instances of people undertaking a business journey from their home which in part mirrors their commute – in this situation the part of the journey which mirrors the commute would not qualify for payment on a tax free basis. Getting these areas wrong can prove expensive

3. Employees who are given a vehicle under an employee car ownership scheme are claiming mileage allowances when the vehicle is being driven by a customer being used for demonstration purposes. Tax free mileage allowances cannot be paid when mileage is being undertaken in a vehicle which is not being driven by the employee in person

So whilst in our view there is no major HMRC attack on mileage recording in the motor sector, we are aware from our experience in the industry that there is the need to exercise care and it would be sensible to review your own position to ensure that if you get the knock on the door from HMRC you are less likely to face a significant liability.

Contact us



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Steve is a Partner at MHA MacIntyre Hudson and head of our National Motor Sector team, working closely with our motor specialist Tax, Audit and Corporate Finance Partners. He was previously a Partner at PwC and EY and more recently led ASE's motor specialist professional services business.

Steve responsibilities include building relationships with and providing audit, tax and business advisory support to the larger motor dealer groups in the UK, as well as to automotive manufacturers. Steve's core skills include his ability to engage in a broad business dialogue with executives and business owners and from this to identify areas in which support can be provided to his clients to overcome their issues and challenges.



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