Mileage rates: review announced but questions remain

Briefings

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The ATT has welcomed a government review of Approved Mileage Allowance Payments (AMAPs), but concerns remain about the prolonged impact of unchanged rates.

AMAP rates have been fixed since 2011, with employees currently able to claim 45p per mile for business use of their own vehicles. Over this period, motoring costs have risen significantly.

If it had been increased in line with inflation, the 45p rate would have risen by around 50% between 2011 and 2026, taking it to 67p in 2026. Recent data indicates that overall motoring costs have increased even faster than this, by close to 60% over the past decade alone, with particularly sharp rises in insurance and taxation.

The prolonged freeze in rates means that employees using their own vehicles for work may not have been fully compensated for their costs. In real terms, this creates a shortfall between the tax-free amount reimbursed and the actual cost incurred.

This may have resulted in some employees effectively subsidising business travel. The impact is likely to have been felt most by those who rely heavily on their own vehicles in the course of their employment.

The Association has described the review as ‘long overdue’, but has questioned the lack of immediate action.

Jon Stride, chair of the ATT’s Technical Steering Group, highlighted that a review alone does not address the historic shortfall experienced by employees. He also noted that the delay in updating rates risks prolonging the issue for affected taxpayers.

The ATT pointed out that mileage rates are not an isolated case. A number of fixed allowances and exemptions within the tax system have remained unchanged for extended periods.

Examples include limits for annual functions, trivial benefits and homeworking allowances. As with mileage rates, failure to uprate these thresholds can erode their real value over time and lead to unintended outcomes.

The forthcoming review provides an opportunity to reassess whether current mileage rates remain appropriate. More broadly, it raises the question of whether a more systematic approach is needed to ensure that tax thresholds and allowances keep pace with inflation.