



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Cllr Andrew Western
LGA Resources Board
18 Smith Square
London
SW1P 3HZ

5 September 2022

Dear Cllr Western,

Thank you for your letter of 10 August to the Financial Secretary to the Treasury, about Mileage Allowance. I am replying as the Minister responsible for this policy area.

I appreciate the challenges local government staff are facing, as outlined in your letter. The Government sets the Approved Mileage Allowance Payment (AMAP) rates to minimise administrative burdens.

I hope you do not mind if I outline the current policy for this area. The current AMAP rates allow employees to claim up to 45 pence per mile for the first 10,000 miles and 25 pence for each subsequent mile, tax free, if they use their private car or van for business purposes. An additional 5 pence per mile may also be claimed for every passenger transported. AMAPs are intended to create administrative simplicity and certainty by using an average rate, which reflects vehicle running costs including fuel, depreciation, servicing, insurance, and Vehicle Excise Duty. As it is an average, the rate is necessarily more appropriate for some drivers than others.

Employers are not required to use the AMAP rates. Instead, they can agree to reimburse a different amount that better reflects their employees' circumstances. If an employee is paid less than the AMAP rate, they can claim Mileage Allowance Relief (MAR) on the shortfall. However, where payments exceed the relevant AMAP rate, there will be an Income Tax and National Insurance charge on the difference.

Like all taxes and allowances, the Government keeps the AMAP rate under review and any changes are considered by the Chancellor and announced at fiscal events. Thank you for taking the time to make us aware of your concerns.

Yours sincerely,

Alan Mak MP
EXCHEQUER SECRETARY TO THE TREASURY