

Practical advice on motor expenses

Specialist medical accountant Rebecca Gascoyne-Richards offers a round-up of tax relief on mileage and car expenses



Rebecca Gascoyne-Richards
Partner, Lovewell Blake LLP and a member of the Association of Independent Specialist Medical Accountants. For more information call 01603 663300 or email RGR@lovewell-blake.co.uk To find an AISMA accountant in your area visit: www.aisma.org.uk

A salaried GP, or any other employee, may claim tax relief for journeys that are necessarily incurred on travelling in the performance of their duties of employment.

Allowable journeys include travel for patient home visits, meetings, courses or to and from a temporary place of work (to a different surgery where the employee is not usually situated). Ordinary commuting from home to the workplace is not treated as an allowable journey.

Where an employee uses their own vehicle for business journeys, the practice can reimburse them up to the approved mileage allowance payments (MAPs) rates without having to pay any tax or National Insurance contributions. To calculate the approved amount, multiply the employee's business travel miles for the year by the rate per mile for their vehicle. The approved rates per business mileage are shown in *Table 1*.

If an employee is paid at a rate above the approved amounts, the practice is required to report the excess to HMRC on form P11D. Practices can register with HMRC to include certain benefits and expenses on the payroll, which will negate the requirement to complete a form P11D.

'To calculate the approved amount, multiply the employee's business travel miles for the year by the rate per mile for their vehicle'



If the practice reimburses less than the approved mileage rates, the employee can claim the difference as an expense of employment. A

‘A mileage log, calculating the proportion of business mileage compared to the total mileage, should be maintained each year’

mileage log will need to be maintained by the employee to support their claim.

Tax relief for GP partners

As a GP partner, any expenditure incurred ‘wholly and exclusively’ for the purpose of the business can be offset against the partnership profits. GPs will usually use their own car and incur motor expenses personally. Tax relief for the use of their own vehicle can be obtained by completing a personal expenses and capital allowance claim, which is then merged with the financial accounts and allocated against their share of partnership profits on the partnership tax return.

Similar to employees, GP partners can claim travel expenses using the approved flat rate mileage rates (45 p for the first 10,000 business miles travelled and 25 p per mile thereafter). Alternatively, a claim can be made in respect of the business proportion of the running expenses of a car that is used for business, which include costs such as:

- Fuel and oil
- Breakdown cover
- Cleaning or car wash
- Insurance premium
- Loan interest or other finance costs (interest element of a hire purchase agreement)
- Repairs and servicing.

The GP partner will need to calculate the business use percentage, which is then applied to the total running costs to establish the allowable claim. A mileage log, calculating the proportion of business mileage compared to the total mileage, should be maintained each year. Similar to an employee, home to surgery travel is not treated as a business journey.

A GP can also claim capital allowance on the purchase cost of a car that is used for business. The rate that can be claimed depends on registered CO₂ emission of the vehicle and the date this is bought. The capital allowance rates for cars purchased from 6 April 2018 are shown in *Table 2*. Once a partner has chosen which method to use,

Table 1. Approved rates for business mileage

Type of vehicle	First 10,000 miles	Above 10,000 miles
Cars and vans	45p	25p
Motorcycles	24p	24p
Bikes	20p	20p

Table 2. Capital allowance rates for cars purchased from 6 April 2018

Description of car	What can be claimed: business proportion
New and unused, CO ₂ emissions are 50 g/km or less (or car is electric)	First year allowance (100%)
New and unused, CO ₂ emissions are between 50 g/km and 110 g/km	Main rate allowance (18%)
Second hand, CO ₂ emissions are 110 g/km or less (or car is electric)	Main rate allowance (18%)
New or second hand, CO ₂ emissions are above 110 g/km	Special rate allowance (8%)

they must continue using that method until they change their car.

Leasing a car

An alternative to purchasing a car is to lease a vehicle. This can have benefits from an income tax perspective, especially if a practice is registered for VAT.

First, the lease costs are included with the GP partners’ running expenses, with a claim made for the business proportion element. For leases entered into after 6 April 2018, there is a 15% restriction of the lease costs if the car’s CO₂ emissions exceed 110 g/km.

A lease contract can be entered into personally by the GP partner. However, if the practice is VAT registered it is worth considering arranging the agreement to be in the practice’s name.

If the car is leased in the name of the practice, 50% of the VAT can be recovered, subject to any partially exempt amounts. Any blocked VAT can be added to the lease rental when calculating the amount claimable as running expenses (ie the exempt/non-recoverable percentage). If the practice is not VAT registered or the contact is entered into personally, the VAT is allowable as part of the running expense in full. **PM**