

Use of Vehicle Mileage Rates for the Self Employed

The use of mileage rates is an optional alternative to keeping detailed records of actual expenditure. For either method, journeys must be made wholly and exclusively for business purposes.

Self employed taxpayers can compute their expenses using a fixed rate per business mile if the annual turnover of their business is less than the VAT registration threshold (£73,000 for 2011-12) when they first use the vehicle. The mileage rate basis must be applied consistently from year to year. It can be changed only when a vehicle is replaced.

If the turnover increases and exceeds the VAT registration threshold, or if the threshold is reduced, then the taxpayer should continue to use the mileage rate basis until the vehicle is replaced.

The mileage rate covers the cost of running and maintaining the vehicle, such as fuel, oil, servicing, repairs, insurance, vehicle excise duty and MOT and also an element to allow for depreciation/capital allowance.

It does not cover costs that are specific to a particular journey, such as tolls, congestion charges and parking fees. These will be allowable for tax purposes where they are incurred solely for business purposes. The taxpayer may also claim the business proportion of the interest on any loan used to purchase the vehicle.

The relevant mileage rates are as follows:

Cars and vans:	
On the first 10,000 miles in the tax year	45p per mile
On each additional mile above this	25p per mile
Motor cycles	24p per mile
Bicycles	20p per mile