

SCHEDULES

SCHEDULE 4

Section 23.

LIMIT ON CHARGEABLE MILEAGE PROFIT

The following shall be inserted after section 197A of the Taxes Act 1988—

“Mileage allowances

197B Limit on chargeable mileage profit

- (1) In a case where—
- in the year 1989-90 (the base year) sums paid to a person by reason of an employment held by him are paid in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him,
 - in a subsequent year of assessment (the year concerned) he makes a mileage profit as respects an employment,
 - the amount of the mileage profit he makes in the year concerned or, where he makes a mileage profit in that year as respects more than one employment, the aggregate of the mileage profits he makes in that year would (apart from this section) be greater than the maximum amount for the year,
 - section 197E does not prevent this section from applying, and
 - a claim is made for relief under this section,
- the amount of the mileage profit he makes in the year concerned or, as the case may be, the aggregate of the mileage profits he makes in that year shall be treated as being equal to the maximum amount for the year.
- (2) In a case where the employee’s relevant mileage for the year concerned is more than his relevant mileage for the base year, the maximum amount for the year concerned shall be found by applying the formula—

$$\left(A \times \frac{B}{C} \right) + D$$

- (3) In any other case, the maximum amount for the year concerned shall be found by applying the formula—

$$A + D$$

- (4) A is the taxed mileage profit for the base year.
- (5) B is the employee’s relevant mileage for the year concerned.
- (6) C is the employee’s relevant mileage for the base year.
- (7) D is—
- nil if the year concerned is 1990-91;

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- (b) an amount found by multiplying £1,000 by E if the year concerned is 1991-92 or a subsequent year of assessment.
- (8) E is 1 if the year concerned is 1991-92, 2 if it is 1992-93, 3 if it is 1993-94, and so on (adding 1 for each succeeding year of assessment).

197C Definition of mileage profit

- (1) This section applies for the purposes of section 197B.
- (2) The employee makes a mileage profit in the year concerned as respects an employment if—
 - (a) by reason of the employment sums are paid to him in the year in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him, and
 - (b) subsection (3), (4) or (6) below applies.
- (3) This subsection applies if all or part of the sums mentioned in subsection (2)(a) above fall to be treated as emoluments of the employment for the year in accordance with an administrative scheme (such as a fixed profit car scheme).
- (4) This subsection applies if—
 - (a) subsection (3) above does not apply,
 - (b) the employment is employment to which Chapter II of this Part applies, and
 - (c) the amount of the sums mentioned in subsection (2)(a) above exceeds the aggregate deductible amount for the year concerned in relation to the employment.
- (5) For the purposes of subsection (4) above the aggregate deductible amount for the year concerned in relation to the employment is the aggregate of the following—
 - (a) any expenses of travelling in a vehicle provided by the employee which fall to be deducted from the emoluments of the employment for the year under section 198(1), and
 - (b) the amount of any allowance which, by virtue of Part II of the 1990 Act, falls to be made to the employee for the year in respect of expenditure incurred on the provision of a vehicle for use in the performance of the duties of the employment.
- (6) This subsection applies if—
 - (a) neither subsection (3) nor subsection (4) above applies, and
 - (b) all or part of the sums mentioned in subsection (2)(a) above fall to be treated as emoluments of the employment for the year.
- (7) If subsection (3) or (6) above applies, the amount of the mileage profit made by the employee in the year concerned as respects the employment is the amount of the sums mentioned in subsection (2)(a) above which fall to be treated as emoluments of the employment for the year.
- (8) If subsection (4) above applies, the amount of the mileage profit made by the employee in the year concerned as respects the employment is the amount of the excess mentioned in subsection (4)(c).

197D Definition of taxed mileage profit

- (1) This section applies for the purposes of section 197B.
- (2) Where in the base year the employee holds one employment to which this section applies, the taxed mileage profit for the year is the relevant amount for that employment determined in accordance with subsection (5) or (6) below.
- (3) Where in the base year the employee holds more than one employment to which this section applies, the taxed mileage profit for the year shall be determined by—
 - (a) finding the relevant amount for each of those employments in accordance with subsection (5) or (6) below, and
 - (b) aggregating the amounts so found.
- (4) In subsections (2) and (3) above the references to employment to which this section applies are to employment by reason of which in the base year the employee is paid sums (relevant sums) in respect of expenses incurred by him in travelling, in the course of the duties of the employment, in a motor vehicle provided by him.
- (5) If—
 - (a) the employment is not employment to which Chapter II of this Part applies, or
 - (b) the relevant sums paid to the employee in the base year by reason of the employment are sums in respect of which his liability to tax is determined by reference to an administrative scheme (such as a fixed profit car scheme),the relevant amount for the employment is the amount of such (if any) of the relevant sums paid to him in the base year by reason of the employment as are in fact treated as emoluments of the employment for that year.
- (6) If—
 - (a) the employment is employment to which Chapter II of this Part applies, and
 - (b) the relevant sums paid to the employee in the base year by reason of the employment are not sums in respect of which his liability to tax is determined by reference to an administrative scheme (such as a fixed profit car scheme),the relevant amount for the employment is an amount found by deducting G from F, except that it can never be less than nil.
- (7) For the purposes of subsection (6) above F is the amount of such (if any) of the relevant sums paid to the employee in the base year by reason of the employment as are by virtue of section 153 in fact treated as emoluments of the employment for that year.
- (8) For the purposes of subsection (6) above G is the aggregate of the following—
 - (a) any expenses of travelling in a vehicle provided by the employee in fact deducted from the emoluments of the employment for the base year under section 198(1), and
 - (b) the amount of any allowance in fact made to the employee for the year, by virtue of Chapter I of Part III of the Finance Act 1971, in respect of expenditure incurred on the provision of a vehicle for use in the performance of the duties of the employment.

197E Exception from section 197B

- (1) If the sums paid to the employee in the year concerned in respect of expenses incurred by him in travelling, in the course of the duties of his employment or employments, in any motor vehicle provided by him exceed the sums paid to him in the base year in respect

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of expenses so incurred by him, section 197B shall not apply for the year concerned unless the whole of the excess can be justified by reference to allowable factors.

- (2) For the purposes of this section the following are allowable factors—
- (a) an increase in motoring costs,
 - (b) a change by any employer of his practices so as more fully to reimburse motoring costs;
 - (c) any change of vehicle;
 - (d) a change in the employee's relevant mileage.

197F Other interpretative provisions

- (1) This section applies for the purposes of sections 197B to 197E.
- (2) The employee's relevant mileage for a year of assessment is the number of miles by reference to which in that year he is paid sums in respect of expenses incurred by him in travelling, in the course of the duties of his employment or employments, in any motor vehicle provided by him.
- (3) "Employment" means an office or employment the emoluments of which fall to be assessed under Schedule E; and related expressions shall be construed accordingly."