



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

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

25 August 2023

Dear Sir George,

Thank you for your email of 3 August to the Chancellor of the Exchequer enclosing correspondence from your constituent about mileage allowance. I am replying as the Minister responsible for this policy area.

Let me firstly assure you that the Government recognises the vital role played by public sector workers in delivering our world class public services.

specifically asked about Approved Mileage Allowance Payments (AMAPs). These are used by employers to reimburse an employee's expenses for business mileage in their private vehicle. AMAPs are intended to create administrative simplicity and certainty by using a simplified rate, which reflects vehicle running costs including fuel, servicing, and depreciation.

The AMAP rate is advisory, so employers can choose to pay more or less than the advisory rate. It is therefore ultimately up to employers, including public sector organisations, local government, and the NHS to determine the rate at which they reimburse their employees. Employees who receive less than the AMAP rate can claim tax relief on the difference. Employees who receive more will potentially be taxed on the difference, depending on their personal circumstances.

The reimbursement of travel costs for NHS employees is covered by the NHS Terms and Conditions, jointly agreed by employers and the NHS trade unions.

references research commissioned by UNISON on the AMAP rate. The Government keeps the AMAP rate under review and in estimating typical motoring costs per business mile HMRC use a variety of information. This includes information from the AA, the National Travel Survey, the Association of British Insurers and the Department for Energy Security and Net Zero (fuel prices). The AMAP rate is intended to reflect both running costs (such as fuel) and a proportion of standing costs (such as insurance, MOT and depreciation). Therefore, in estimating typical motoring costs per business mile the Government must consider the weighting given to each component and how to proportion certain costs.

As with all taxes and allowances, the Government will continue to keep the AMAP rate under review. Any changes to the AMAP rate are announced by the Chancellor at fiscal events.

Petrol and diesel prices continue to be volatile given the ongoing conflict in Ukraine and inflation remains high. So, at Spring Budget 2023, the Government announced continued support for households and businesses by maintaining the rates of fuel duty at the current levels for an additional 12 months, by extending the temporary 5p fuel duty cut and cancelling the planned inflation increase for 2023-24. That represents a saving for drivers this year of overall around £5 billion and for the average car driver around £100.

The overriding focus for the Government in recent months has, rightly, been the immediate challenge of inflation and supporting people with the cost of living. These are the key challenges currently facing millions of households and businesses across the UK, and the Government has taken decisive action to mitigate their impact, whilst remaining fiscally responsible.

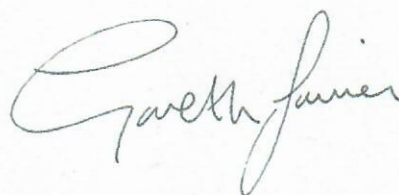
To protect struggling families, at Spring Budget 2023 the Government announced an extension to energy support by keeping the Energy Price Guarantee at £2,500 for the next three months from April, saving households an additional £160, bringing total Government support for energy bills to £1,500 for a typical household since October 2022.

This is in addition to the benefits uprating and support for vulnerable households announced at the Autumn Statement, which included new Cost of Living Payments in 2023-24, helping more than 8 million UK households on eligible means tested benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits. For example, our cost of living payment for those on benefits was £650 last financial year and will be £900 in 2023-24. More details on this can be found here: <https://www.gov.uk/cost-of-living>

To address inflation, the key issue underlying increased living costs, the Prime Minister has set out the Government's ambition to halve inflation this year, to ease the cost of living and give people the financial security they deserve. To reduce it, the Government will continue to support the independent Bank of England, hold down energy prices and take responsible decisions on tax and spending.

Please pass on my thanks to _____ for taking the time to make us aware of concerns. I hope this information is helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gareth Davies'.

Gareth Davies MP
EXCHEQUER SECRETARY TO THE TREASURY