

Driver and Vehicle Policy **Wear and Tear Payments**

Summary

From 1 April 2022, a 'wear and tear' reimbursement was introduced in addition to the normal mileage reimbursement rates to contribute to drivers who complete unavoidably high business mileage. It applies only to those who are in receipt of a motoring expenditure allowance and using their own vehicle or those who use a vehicle under the Salary Sacrifice scheme.

This additional 'wear and tear' mileage payment is not applicable for individuals in a car provided under the previous Company Car scheme (e.g. Grade 1 or 2 car list) as the costs of running those vehicles is fully met by the company.

From 1 April 2024, where applied, the payment will be 15p per mile (previously 13p) for all business miles completed after the first 12,000 business miles (previously 15,000 miles) per tax year. E.g. If 20,000 business miles are completed, a payment of £1,200 ((20,000 miles – 12,000 miles) x 15 pence) will be made. This is in addition to the normal mileage reimbursement rate.

In accordance with HMRC rules, where drivers in receipt of this additional payment are driving a company car under the car salary sacrifice scheme, this payment will be subject to tax and national insurance.

The level of payment is intended to contribute to the additional costs associated with owning and maintaining a vehicle when completing high mileage. The amount has been set with reference to the average increase to salary sacrifice payments through the Knowles system when vehicles are requested with higher mileage.

Example

The example below shows the impact of the additional Wear and Tear payment and that the net cost after considering the additional payment is reasonably consistent for drivers completing 12,000 to 40,000 business miles.

Quotes obtained from Knowles on 22 October 2024 for an Audi Q4 E-Tron Estate based on a 40% taxpayer. Monthly amounts are shown below:

	12,000 miles	20,000 miles	30,000 miles	40,000 miles
Gross Salary Sacrifice	976.58	1,066.10	1,183.91	1,290.08
Wear and Tear payment @ 15p	-	(100.00)	(225.00)	(350.00)
Gross cost after Wear & Tear	976.58	966.10	958.91	940.08
Net Salary Sacrifice	598.73	650.66	718.98	780.56
Wear and Tear payment @ 15p	-	(58.00)	(130.50)	(203.00)
Net cost after Wear & Tear	598.73	592.66	588.48	577.56

The Wear and Tear payments applicable have been split across the year evenly, however, these will only be paid once exceeding 12,000 business miles via TMC.

Eligibility

The Wear and Tear payment is applicable for:

- Employees who are eligible and in receipt of a Motoring Expenditure Allowance;
- Employees using their own vehicle or using a vehicle under the new Salary Sacrifice scheme (via Knowles);

- All business miles completed after the first 12,000 business miles per tax year.

This additional 'Wear and Tear' mileage payment is not applicable for individuals in a car provided under the previous Company Car scheme (e.g. Grade 1 or 2 car list).

Excess Mileage Charges

Where an excess mileage charge is incurred under the new Salary Sacrifice scheme as a result of increased business mileage over and above what would be expected in your role (e.g. due to a change of site location during the lease), the business will cover the cost of the charge, net of any wear and tear reimbursement amounts paid in relation to these miles, subject to MD approval.

Application

The TMC system will automatically apply the additional pence per mile payments on a monthly basis once 12,000 business miles has been exceeded.