

Press Release



www.carbenefitsolutions.co.uk
mail@carbenefitsolutions.co.uk

AMAP & PAYE Settlement Agreements explained by CBS

The use of Approved Mileage Allowance Payments (AMAP) to operate Car Ownership Schemes in the most tax efficient manner is a common feature of such schemes. Over recent years, AMAP has been known under different names, formerly the Fixed Profit Car Scheme (FPCS) and then Inland Revenue Authorised Mileage Rates (IRAMR). Historically, the Inland Revenue have granted many employees operating structured car schemes the ability to conduct an annual reconciliation in arrears which compared the value of cash allowances paid to employees with *actual* business mileage in private vehicles.

This convenience was traditionally permissible as the alternative of collating these amounts as they are incurred was deemed an unacceptable administration burden for the employer and Inland Revenue alike.

From 6th April 2002, AMAP was adopted into statute and became the only way for an employer to reimburse their employees for the use of a private car for business travel. The intention behind this was to simplify methods of reimbursing employees who incur business expenses and to this extent the change has been successful.

The impact of this subtle legalisation change on employers who operate Car Ownership Schemes has proved substantial, with significantly greater administrative pressures being borne across Finance, Fleet and Human Resource functions.

The reason for this increased administration is that in nearly all cases employers who originally implemented their arrangements with the benefit of an Inland Revenue approved PAYE Settlement Agreement (PSA). In the most basic scenario, the PSA works by comparing the taxable benefits each employee has received in the tax year with the potential AMAP that could have been paid to them, any shortfall between the two being subject to PAYE and Class 1 B NIC's, payable by the employer.

Once incorporated into statute, the Inland Revenue set down strict rules regarding the timing of the payment of AMAP, notably that it should be paid in the 'earning period' in which the business mileage was travelled. In most cases the 'earnings period' is a calendar month for salaried employees. These rules conflict with the procedure of reconciling total AMAP via the PSA on an annual rather than monthly basis.

CBS have witnessed numerous cases of the Inland Revenue withdrawing the ability of the employer to use the PSA arrangement in its current format. The result is that employers are left with the prospect of having to reconcile any PAYE and Class 1 A NIC due in respect of the Car Ownership Scheme on a monthly basis for each employee, or pay all allowances engrossed for tax. Neither of these methods are considered tax efficient.

Working with its current client base, CBS has developed and implemented solutions which operate hand in hand with the statutory AMAP mechanism whilst continue to

Press Release



allow employers the ability to reconcile PAYE and NIC on an annual basis and retain the tax efficiency of the Car Ownership Scheme.

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These solutions have, prior to implementation, met with Inland Revenue approval in each instance.



For further information contact Car Benefit Solutions media contact Sinéad Sopala on 0161 447 8998, ssopala@carbenefitsolutions.co.uk.