



Claiming for Motor Expenses - FAQ's

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There are numerous guidelines set by the Inland Revenue about what can and can't be claimed for tax relief regarding motor expenses. The rules also vary according to whether you trade as a sole trader, partnership or limited company.



What classifies as business motor expenses?

Chiropractors considering motor expenses need to remember the following:

- Between clinics is **ALLOWABLE**
- From home to work and vice versa is **DISALLOWABLE**
- Seminars and other trips wholly and exclusively for business purposes are **ALLOWABLE**



How is the tax relief calculated?

There are two methods that can be used for getting tax relief on motor expenses:

- 1) To include a proportion of the actual motor expenses
- 2) To include business mileage applying a pence per mile as set out each year by the Inland Revenue: 08/09 = 40p 10,000 miles, 25p thereafter

TIP: Generally the mileage claim is almost all of the time!



Which is the best method for me to use?

If your income is over £68,000 per year then the Inland Revenue request that you use the method where you take actual expenses rather than business mileage.

Other than that your accountant will need to decide which is the best method for you whilst working within the Inland Revenue guidelines.



If I am using the method where I record my actual motor expenses, what types of cost can be claimed against tax?

As most people use a car for business and personal, at the end of the financial / tax year the total motor costs for that period need to be split between allowable and non-allowable expenditure. A good way to do this is to record a mileage log of all business journeys in the year, whilst taking a note of the start and end mileage within a tax year. This way a percentage of personal to business miles can be used to apportion the motor costs in the year.

The costs that would relate to motor expenses are as follows:

- Fuel
- Road Fund Licence
- Insurance
- Repairs and Servicing



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If I am using the method where I record my business mileage, do I have to record every business and personal trip I make in the year?

It is advised to keep a mileage log of all business journeys. The personal trips are not as important as by recording the opening mileage and closing mileage, the personal miles will be the balancing figure.



How do I claim for the purchase price of my car?

The cost of your car is not written off in 1 year against your business profits. Instead tax relief is obtained by what is called a "capital allowance" (CA).

Generally motor vehicles are given a 25% capital allowance, so tax relief is claimed over 4+ years. This is done to reflect the useful life of the asset.

The calculation would be as follows:

Price of car X the lower of £3,000 or 0.25% (CA) X business % (*% that the car is used for business*)

The allowance is capped at £3,000 so if you have a very expensive car then there are restrictions as to how much you can claim in one financial year.

If using the mileage method to claim back motor expenses this will not apply as the pence per mile is aimed to take into account an allowance for the depreciation on a motor vehicle.

For more information on capital allowances, read our separate article and / or speak with your accountant. Please also note there are separate rules if you sell your car within the tax year.



What factors do I need to consider if I am the director of a limited company?

Your accountant will also need to assess whether it is better for the company to own the car or the individual director / shareholder. If the company owns the car and there is any private use whatsoever then HMRC levy very punitive tax charges, called P11d benefits in kind.

There are only specific circumstances where as a director it would be beneficial to put your car through the limited company. Generally it is best to just use the mileage method, which incorporates an allowance for wear and tear.



Where else can I find out more information on claiming back motor expenses?

As you can see motor expenses, is a very detailed area and if you require further assistance your accountant would be a good place to start.

We also have other FAQ sheets on "capital allowances" and "benefits in kind" that may help explain some of the more difficult areas in more detail.

WE HOPE YOU FOUND THIS ARTICLE USEFUL

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