

## **Business Mileage Expenses for cyclists**

This paper attempts to outline the rationale for paying mileage expenses equivalent to the non taxable rate as allowed by Her Majesty's Revenue and Customs (HMRC) which currently stands at 20p per mile. This is the amount that can be paid to an employee by employers without incurring any income tax liability.

### **The Principles**

The question of reimbursing expenses to those that use their car for business purposes whilst employed is long established. Employers generally set the rates for paying these rates at their own discretion and often relate to the CC rating of the engine of the car used. These rates can be anything from 40p to more than 60p per mile. Local Government rates are generally around 55p per mile for casual users.

Employers in general take into account the various factors that contribute to the cost of using a car; These include:

- Depreciation cost.
- Insurance cost.
- Servicing, maintenance and repair costs.
- Vehicle Excise Duty.
- Fuel.

By paying expenses employers are able to take advantage of the ownership of a vehicle by their employees which enables them to travel about whilst carrying out their duties. Employees value this reimbursement of expenses, especially when they are paid at rates substantially more than the marginal cost of making any journey (i.e the fuel cost). It is often viewed as an additional bonus of income in the pay packet.

### **The effect**

By paying rates to their employees at substantially more than the marginal fuel cost of making any trip for business purposes (in fuel costs anything from 5p to 12p per mile) employers unwittingly incentivise the making of journeys by motor vehicles – employees see the apparent substantial premium on mileage rates (which, understandably, take into account a range of other costs such as depreciation, insurance etc.) and thus are tempted to gain a contribution towards the considerable expenses of running a car.

When it comes to using bicycles for business purposes, however, many employers pay considerably less than the real costs of using a cycle for official journeys – thus effectively discouraging people making what could be a sensible choice in mode of transport (i.e those short trips of 5 miles or under in congested areas with attendant difficulties on parking) especially when car use is so handsomely recompensed. Those that use their cycles for work purposes are the very few highly motivated individuals who wish to use their cars less.

Some employers pay nothing at all, others (such as the NHS) recommend a minimum of around 6p per mile and others more generously, pay anything from 20p up to 40p (such as Croydon Borough). Where employers pay a realistic rate

for employees using their bicycles for business purposes (especially in urban areas) bicycle usage rates are noticeably higher than other employers who may pay small amounts or nothing at all.

### **The rationale for encouraging Cycle use by employees**

The benefits of using bicycles are well documented and understood:

- It increases fitness levels and reduces obesity.
- It contributes to reductions of traffic congestion and demands for land use for car parking either at places of work or at destinations.
- It supports improved air quality.
- It is usually quicker in congested urban areas for local trips.
- It is more sociable – cyclists are able to easily acknowledge pedestrians and each other as they move about and thus support improved mental health and well-being.
- It is considerably cheaper than using motor transport and public transport.
- It makes a zero contribution to CO2 emissions in use.

There are strong arguments for encouraging as many people as possible to use their bicycles for travel, whether for work, leisure or utilitarian purposes. Employers can play their part by

- a) Providing secure (and under cover) parking for their employees' bicycles.
- b) Providing changing facilities for staff who use their cycles .
- c) By ensuring that expenses for use of bicycles for business purposes take into account the real costs of using a bicycle (in much the same way as car users are recompensed for the real use of their cars).
- d) By participating in the nationally available Bike to Work scheme whereby employees can purchase bicycles free of tax.

### **The real costs of using a bicycle**

Using a bicycle does cost money, although significantly less than using a car.

Costs for cyclists include:

- Depreciation of purchase cost of a bicycle and accessories when it used on a regular basis.
- Costs of appropriate clothing – waterproofs, suitable garments for use when cycling (e.g gloves, hats and change of clothing).
- Costs of replacement parts and wear and tear.
- Cost of servicing on a regular basis.
- Cost of 3<sup>rd</sup> Party insurance.

These costs are set out in appendix 2.

HMRC have taken these costs into account when setting their rate for non taxable cycle mileage expenses. This rate currently stands at 20p per mile

### **Benefits for employers who encourage cycling amongst their staff (see appendix 1)**

Employers who encourage their staff to use their bicycles more (such as taking part in HM Government's "bike to work scheme", providing facilities for staff to keep their cycles safely and securely and in the dry, and paying appropriate rates for using bikes for business purposes) will accrue a number of noticeable benefits.

- Staff will be fitter and thus take fewer days off work due to sickness.

- Staff will be more productive – staff arriving for work having cycled will have taken moderate exercise setting them up for being alert at work.
- Reduction of travel expenses budget – cycle mileage rates for shorter journeys will be considerably cheaper than the cost of paying car expenses together with any car parking fees required , quite apart from potentially reducing the hidden costs of providing car parking spaces for employees at the place of work.
- Good PR when taking into account positive measures to reduce global warming effects.

**Further information:**

Further information can be obtained from:

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## Ten good reasons why employers should encourage staff to use bicycles for short journeys by increasing their bicycle mileage rate

### 1. **It's easy.**

A change in mileage rate requires no capital outlay or building work, just a simple company executive decision.

### 2. **It's cheaper.**

These are journeys which would happen anyway so even a generous cycle mileage rate can save the company money if it's less than the car mileage rate. You also save on car-parking costs (and, where relevant, the Congestion Charge.)

### 3. **It's quicker.**

In most urban settings, cycling is faster than car travel or public transport. This is still the case even for cyclists who ride responsibly, obeying traffic signals and keeping off pavements.

### 4. **It's healthy.**

All employers should promote employee health. Cycling is not only good exercise; it also has mental health benefits. It can help to reduce days lost through illness.

### 5. **It's clean.**

A bicycle is the original zero-emission vehicle so reducing car usage in favour of cycling makes a clear contribution to overall environmental benefits as well as public health targets.

### 6. **It's safe.**

Cycling dangers are commonly misjudged. Over short journeys responsible cycling is not significantly more dangerous than driving.

### 7. **It saves space.**

Parking spaces are in short supply and a car journey requires two – one at each end. One car space is enough room for eight or more bicycles.

### 8. **It's reliable.**

Cycle journeys are not affected by traffic problems because cyclists can simply get off and push.

### 9. **It's good promotion.**

An employee who turns up for a meeting with a bicycle helmet demonstrates

their company's commitment to sustainable development. This is obviously important to companies engaged in work related to the environment.

#### 10. **It's the future.**

Urban planners are increasingly prioritising cycling and walking over cars. The previous Mayor of London made a commitment to boost cycle usage in the capital 400% by 2025.

## Calculations on Running costs of using a bicycle.

### FIXED COSTS

#### Capital Investment

*Purchase of Bike* £600

*Purchase of accessories  
(Pump, Pannier, lamp etc.)* £100

TOTAL £700

#### Annual Costs

*Depreciation per year (based on 5 years' depreciation)* £140

*CTC Membership ( 3rd Party Insurance)* £34

TOTAL £174

**Costs per mile (based on 240 days riding per year - 48 weeks x 5 days) 8.70 per mile**  
2000 miles per year ( 8 miles per day)

### RUNNING COSTS

#### **Spares/replacements**

Puncture Repair kit	£4	1 per 2,000 miles	0.200
Inner tube ( 2 required) @	£7	1 set per 4,000 miles	0.175
Tyres (Average quality)	£17	1 per 4,000 miles (front)	0.680
	£17	1 per 2,500 miles (rear)	0.680
Chain	£12	1 per 2,500 miles	0.480
Derailleur (front)	£50	1 per 10,000 miles	0.500

Derailleur (rear)	£30	1 per 5,000 miles	0.600
Wheels (pair)	£80	1 pair per 12,000 miles	0.667
<b>Total cost per mile 3.982</b>			
<b>Clothing</b>			
Waterproofs (jacket/leggings)	£100		
Winter gloves	£35		
Shoes	£60		
Hat	£12		
Extra clothing for use when cycling	£80		
<b>TOTAL</b>	<b>£287</b>		
Assuming a three year life ( 6000 miles)		<b>Cost per mile</b>	<b>4.78333</b>
<b>Maintenance/Serviceing</b>			
1 hour of professional servicing per 2,000 miles @	£45.00		per hour
	Cost per mile		<b>2.25</b>

**Total running (fixed + running) costs of cycling per mile 19.72pence**