

Do you pay a **lump sum car allowance** to your employees?

You may have seen in the press articles regarding HM Revenue & Customs (HMRC) losing a recent Tax Tribunal case. You may have an opportunity to reclaim National Insurance contributions (NIC) in relation to the lump sum car allowances.

Grant Summers and Dave Jennings of Grant Thornton UK LLP represented and advised the employer, Total People Limited in the case against HMRC. We therefore have the inside knowledge and expertise for similar claims.

Given we have represented this case we know the full facts. You should also bear in mind that HMRC has sought permission from the Tribunal to appeal this case to the Upper Tribunal. If permission to appeal is granted then the above decision is not settled at this stage.

A potential NIC refund could be due to you as an employer and to your employees if you:

- pay a business mileage payment less than 40p per mile
- pay a lump car sum allowance to your employees for the use of their own private vehicles
- have retained records to verify the business mileage
- there is no direct link between the lump sum car allowance and salary.

Example

You pay £300 per month car allowance to an employee and reimburse business mileage at 15p per mile. The employee travelled 10,000 business miles in the year. The 15p rate should have been paid to the employee free of any income tax or NIC but you may have subjected the £300 allowance to both income tax and NIC.

The employee has always been entitled to claim the tax back on the HMRC allowance of 40p less 15p paid, therefore 25p x 10,000. Following the decision on our Total People case you could claim a refund of the employers' NIC, say 10,000 miles x 25p (the difference from 40p) x 12.8% (NIC rate) = £320.

The claim could go back up to six tax years and if you paid the above rates to 100 employees the claim could be worth £192,000. The employees also qualify for a personal repayment of NIC which could be £275 per employee per year in the above example (2,500 x 11%) and £165,000 for 100 employees claiming six years repayment.

What should you do now?

We would encourage you to contact us to register your interest in a potential refund, secure in the knowledge that we will be in prime position to advise you as soon as there are any new developments.

At this stage there is no obligation on you to incur any costs but you can ensure that you are in a position to maximise any possible NIC reclaim.

Contacts

Please contact any of our team below, all of whom can put you in touch with either Grant Summers or Dave Jennings who are leading the case for Total People Limited.

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