

## Self Employed Car Expenses

BY  
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There are 2 ways in which to claim car expenses as a self employed Freelance Fitness Instructor or PT.

These methods are applicable whether you are full time self- employed or not.

Please note that the following scenario may not be typical of a Freelancer but it gives you an idea.

The 2 methods are compared below via an example.

### **Example**

*Susan is a Sports Massage Therapist an Aerobics Teacher and works full time. She travels 48,000 miles a year, **half on business**. She is just about to buy a car costing £11,000 with a loan at 10%.*

*She expects her running costs to be £1,800 per year and petrol to be £4,200 per year.*

*She estimates that her car is used 50% of the time for business and 50% private use.*

### **Actual Method – Method 1**

<b>Car expenses</b>	<b>Cost £</b>	<b>Tax Claim £ (50%)</b>
Petrol	4,200	2,100
Running costs (servicing etc)	1,800	900
Interest on car loan	1,100	550
Capital Allowances	2,750	1,375
<b>Total tax claim</b>		<b>4,925</b>

In this example we see Susan claim £4,925 against her income.

We will now look at method 2 the Alternative method.

## **Authorised tax-free mileage Method – Mmethod 2**

<b>Mileage Rates</b>	<b>Tax Claim (£)</b>
10,000 miles @ 45p per mile	4,500
14,000 miles @ 25p per mile	3,500
Business proportion of interest to buy the car	550
<b>Total tax claim</b>	<b>8,550</b>

Susan's claim has increased by £3,625. This is a tax saving of £1,450 for a higher rate taxpayer (£3,625 x 40%) or £725.00 for a basic rate taxpayer (£3,625 x 20%).

### **Considerations**

- The Alternative method is only available to taxpayers with a turnover below the VAT registration threshold (currently £73,000) at the time when the vehicle was first acquired. Therefore, it is only possible to change methods when you change your vehicle.
- You do not need the Taxman's permission to do the Alternative Method.
- The Alternative Method is much easier for most people.

**Tip:** Use the statutory tax-free mileage rate to calculate your car expenses. If this is higher than the actual cost method use it from the time you started teaching or when you next change your car.

**Tip:** Keep a note pad in your car and keep details of each **business** trip, date, to & from, purpose and mileage.

**NB**

**If you use a bicycle you can charge 20p a mile**

**If you use a motorcycle you can charge 24p per mile**

**If you receive less than the statutory rate, tax relief can be claimed on the difference.**