

WEST DUNBARTONSHIRE COUNCIL

Report by Head of Personnel Services

Joint Consultative Forum –31st August 2006

Subject: Employee Mileage Expenses – VAT Receipts

1. Purpose

- 1.1** To inform the JCF members regarding the issue of employees providing VAT receipts for Travel and Subsistence Allowances. Information was requested by the Forum at the meeting on 25th May 2006 (Item 9143 (3) of minutes)

2. Background

- 2.1** Prior to 1st April 2006 the Council reclaimed an element of VAT from HM Revenue and Customs (HRMC) for each work mile reclaimed by an employee, without having to provide evidence of the VAT incurred. Due to changes in the regulations, from 1st April 2006 the Council would be unable to reclaim VAT if appropriate receipts were not attached to mileage claims.

3. Main Issues

- 3.1** To meet the requirement employees have been asked to submit an appropriate VAT receipt for petrol consumed with their mileage claim.
- 3.2** HRMC have advised that the receipts do not require to be cross-referenced to each journey, in fact one receipt may cover a number of journeys over a prolonged period of time. However, the VAT receipt should pre-date the miles claimed by the employee.

4. Personnel Issues

- 4.1** The change in practice affects all employees who are authorised car users. This means that in practice employees should ask for a VAT receipt when purchasing petrol and these receipts should be attached to claims for mileage expenses.
- 4.2** David Connell, Head of Finance has sent a memo to all Directors informing of this change in procedure and requesting that they notify all their employees.

5. Financial Implications

- 5.1** The Council would be unable to reclaim the element of VAT from HRMC if they do not receive appropriate receipts from employees claiming mileage expenses. This amounts to approximately £20,000 per annum, therefore, if the Council do not provide evidence to HRMC it would result in a substantial loss of money.

6. Conclusions

- 6.1** To enable the Council to reclaim the VAT element connected to business miles, a revised mileage claim form will be introduced.

7. Recommendations

- 7.1** The Forum is asked to note the contents of this report.

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Background Papers: VAT information sheet 08/2005 – Recovery of VAT by
businesses on road fuel purchased by their employees on
their behalf.

Wards Affected: Not applicable.

