

MOTOR VEHICLE REIMBURSING RATES 2020/21

The Anglican Legislation Unit has reviewed the motor vehicle reimbursing rates based upon the 2020 AA review of running costs for petrol fuelled cars.

The 2020 AA survey shows relatively little change from 2019 to 2020. Running costs have increased by 1.5% (notably insurance) whereas petrol prices fell by \$0.09 cents from \$2.31 to \$2.22 and interest costs have continued to decline.

Rates Update July 2020:

Overall costs have slightly declined since 2019. As in previous years, our formula gives less weight to financing costs, as the church is often bearing at least some of this cost (low interest costs are therefore only nominally reflected).

The suggested (maximum) reimbursement rates are as follows (previous year's rates in brackets):

- Up to 14,000 km annual running for all purposes - reimburse work running at 76 cents (78 cents).
- Up to 20,000 km annual running for all purposes - reimburse at 63 cents (64 cents).
- Up to 26,000 km annual running for all purposes - reimburse at 55 cents (57 cents).
- For mileage beyond chosen band range - reimburse at 31.0 cents (33.1 cents).

Alternatively, the flat rate of 43 cents (45 cents in 2019) per km can be paid for unlimited running (i.e. without the need to record annual mileage and be concerned about exceeding a chosen band). This is based on the above rates and annual mileage of 75,000kms to cover all eventualities.

Notes:

This review is based on the same assumptions used in the ICWPT/ICB agreement with the IRD in 1996, updated for changes in costs. The calculations have been based upon the AA cost calculations for 2019 with some adjustments for our circumstances.

Methodology:

The above calculation is based upon the combination of the AA categories for 'compact' cars (1501cc to 2000cc) and 'medium' cars (2001cc to 3500cc).

Interest costs:

As we have done in the past, we assume that not all interest costs are relevant and claimable. Not all clergy will actually have incurred interest costs on the purchase of their vehicle and, where they have, the church has often provided finance at concessionary rates. The AA interest cost component has therefore been halved.

Petrol price:

A petrol price of \$2.26 has been used in our modelling, which is 3.5 cents a litre above the \$2.22 used by the AA. The AA report states that "Petrol prices ended the year just over 30 cents per litre higher than the start, mostly due to gradual increases in global commodity prices – with some spikes due to tensions in the Middle East. But fuel excise also rose 3.8 cents per litre [taken into account in last year's rates], and the emissions trading scheme levy another cent at the start of 2019. Excise is planned to rise another 3.5 cents per litre in June 2020, and possibly the emissions trading scheme levy by a similar amount due to planned changes to the scheme." We have reflected this 3.5 cents per litre levy in our modelling.

As previously, our calculations are **an average** and are intended to cover a wide range of circumstances. If petrol costs increase significantly, drivers can be expected to move to smaller more efficient cars, which should act as a restraint on rate increases. Decreases in the past two years, as regards overall vehicle running costs, reflect the increasing fuel efficiency of recent-model vehicles. In that regard the AA have commented as follows:

“Manufacturers are continuing to develop technologies to reduce consumption, as well as smaller capacity, turbo-charged engines that produce a level of performance that was not achievable before”.

We are aware some other employers may be paying higher rates, but the reimbursement rates as above are tailored to the circumstances of the churches. The ICWPT/ICB formula can be used by any church employees. Reimbursements can be made free of income tax.

How to use these rates:

- a) each employee who is expected to use their car for employment related purposes needs to provide, at the beginning of the tax year, a **reasonable estimate** of their annual running km for **all purposes** (i.e. personal, family and work related) for the year;
- b) the odometer reading at the beginning of the tax year must be recorded;
- c) that estimate determines the “chosen band range” e.g. if the estimate is 18,000kms the rate of reimbursement for **employment/work related km** will be 63 cents per km;
- d) however, if the actual **all purposes** km for the year exceeds the top of the “chosen band range”, then the reimbursement of **any work related** km beyond that range will be beyond the “chosen band range” and therefore reimbursed at 31.0 cents per km, e.g. the band range chosen by the employee was “up to 20,000km per annum” but the actual for the year was 23,000km. The extra 3,000 km included 900 km of **work related km** and would therefore be reimbursed at 31.0 cents per km.

Rachel Jaquierey
MANAGER
ANGLICAN LEGISLATION UNIT

July 2020

Disclaimer: This material is provided for information purposes by the InterChurch Bureau (under the auspices of the Anglican Legislation Unit). It is not a substitute for commercial judgement or professional advice, which should be sought prior to acting in reliance on it. To the extent permitted by law the InterChurch Bureau and the Board disclaim liability and responsibility to any person for any loss or damage that may result from any act or omission by any person in relation to this material.