

18 May 2011

To All Councils (including Auckland Council)

Vehicle Mileage

You will be aware that the Inland Revenue Department has recently amended the mileage rate at which employers may pay employees an allowance tax free.

This rate is neither mandatory to employers nor has there ever been a direct correlation between the maximum mileage rate applicable in the Remuneration Authority's local government determination, as there is not an employment relationship between councillors and councils.

Since the announcement the Authority has received a number of enquiries as to how the change might affect elected officials.

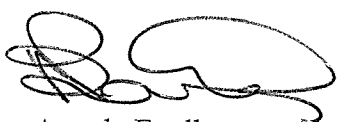
We have considered this matter in the light of the recent changes to mileage arrangements, and recent increases to motor vehicle costs.

With effect from 1 July, the Authority will approve requests from councils to increase the mileage rate in their expenses policies from 70 to 74 cents for the first 5000 kilometres of travel. The Authority will not be making any adjustment to mileage rates over 5000 kilometres.

The determination that will shortly be issued for the 2011/2012 financial year will be amended accordingly,

Councils wishing to implement the increase will be required to approve and submit a new allowance and expenses policy that includes the change.

It is not the Authority's intention to link the rate permanently to the rate established for another purpose by Inland Revenue, and any future change to either increase or decrease the rate would be advised to councils by circular and be included in the annual determination.



Angela Foulkes
Deputy Chair

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