

## GUIDANCE FOR THE REIMBURSEMENT OF MOTOR VEHICLE EXPENSES 2023/2024

This practice note is issued as guidance for Tautoko Tāne Aotearoa (TTA) Member Organisations (TMO) who are required to reimburse staff (employees, contractors, or volunteers) for the use of their **private motor vehicles** in enabling and supporting the provision of support services for their clients.

### Good Practice

While there is no legal requirement to reimburse staff for any specific costs incurred whilst driving their own car for work purposes, including petrol costs, it is considered best practice to do so.

*“If an employee is going to use their own vehicle when doing their work duties, (this doesn’t usually include travel to and from work at the start and end of the working day), the employer and employee should agree to this as part of the employment agreement (or otherwise agreed in writing).*

*If an employee is using their own car for work purposes, the employer’s responsibilities are the same as when the employer owns the vehicle. The employer will need to check that the vehicle is safe, suitable and complies with legal requirements (e.g., is registered and warranted etc); the employee can usually provide this information.”*

– Employment New Zealand

**Tautoko Tāne Aotearoa consider the practice of reimbursing staff for the use of their private vehicles to enable and support the provision of TMO support services is not only good practice but is also reflective of TTA’s intention that all staff engaged by TTA or a TMO are treated in a fair and equitable manner.**

### Vehicle Use Responsibilities

The TMO and staff responsibilities and accountabilities for the use of a private vehicle in enabling and supporting the provision of client support services are clearly defined in the [TTA Vehicle & Transportation Policy](#), includes guidance<sup>1</sup> on the following matters:

- TMO and Drivers responsibilities.
- Vehicle use and maintenance.
- Transportation of clients.
- Fines, infringements, and accidents.
- Parking, security, and locational safety.

---

<sup>1</sup> Reference: <https://tautokotane.nz/wp-content/uploads/2023/06/TTA-Vehicle-Transportation-Policy-1.2-04.23.pdf>

This policy is intended to apply to the use of staff (privately owned) vehicles in TTA and TMO operations.

## Reimbursement

### Evidence & Timing

The reimbursement of staff for the use of their vehicles in TTA or TMO operations should reflect a fair and equitable assessment of the costs they have incurred.

Where reimbursement is based on, or related to, the kilometres driven by the vehicle, this should be based on logbook or equivalent kilometre tracking system that clearly records the purpose of the vehicle use and the distance travelled.

All reimbursement payments should be supported by an appropriately detailed and evidenced 'mileage claim' signed by the staff member and formally approved by their manager.

Appreciating that staff may incur significant vehicle operating costs, the timing of reimbursement payments should be determined to ensure that the staff member is not significantly 'out of pocket' for the use of their motor vehicle. Typically, reimbursement periods will coincide with salary payment periods.

### Vehicle Categories

While TTA supports policies that recognise the need to address the impacts of climate change, we also recognise that due to economic factors, most TMO and /or their staff will currently be operating petrol driven vehicles.

However, cognisant of our climate change responsibilities, it is our preference that all reimbursements be based on petrol vehicles with an engine capacity of no more than 2 litres. Where staff elect to own vehicles with an engine capacity in excess of 2 litres, then they will incur the additional ownership and operational costs personally.

It may be a requirement for operational reasons to support the use of a motor vehicle in the medium category although we recommend this should be only approved where there is good evidence to support the requirement.

There is an expectation that TMO owned vehicle policies should also conform with this vehicle categorisation guidance.

### Methodology

There are two recommended methods of reimbursement for the use of petrol driven vehicles in TTA or TMO operations:

#### Ownership + Mileage

Where the use is continuous and involves frequent monthly use of a privately owned vehicle, it is recommended, for administrative efficiency, that the staff member be separately reimbursed for ownership and operational costs. Ownership costs should be reimbursed by a regular fixed monthly payment with operating costs reimbursed based on mileage claims.

Some TMO's have elected to provide staff with a requirement for continuous use of their private motor vehicle with a fuel card, which is assumed to cover the reimbursement of operational costs and avoids the administration of mileage claims. However, this approach presumes that the majority use of the vehicle is for TTA or TMO operational purposes and there should be an agreement with the staff member relating to private use, which may vary according to the circumstances.

### Mileage only

The use of this methodology recognises that private use may not be continuous where usage is only related to specific client events or circumstances.

In these cases, it is more administratively efficient to reimburse for ownership and operational usage in a single payment based on an approved mileage claim.

### Rates

The following cost rates, for petrol driven vehicles, obtained from the Automobile Association<sup>2</sup> and the Inland Revenue Department are recommended for consideration when applying this practice note:

Tautoko Tāne Motor Vehicle Operating Costs Schedule F2024				
	PREFERRED			
AA Petrol Car Running Costs 2023 (14,000km/year)				
Vehicle Category	Small	Compact	Medium	Large
CC Rating	< 1500	< 2000	< 3500	> 3500
Fixed Costs per day	\$17.66	\$19.22	\$24.96	\$33.09
Running Cost per KM	\$0.24	\$0.29	\$0.35	\$0.43
<b>Total costs per KM</b>	<b>\$0.70</b>	<b>\$0.79</b>	<b>\$1.00</b>	<b>\$1.29</b>
<i>Last year (2022)</i>	<i>\$0.61</i>	<i>\$0.72</i>	<i>\$0.89</i>	<i>\$1.19</i>
IRD Reimbursement (14,000km/year)				
<b>Total cost per KM</b>	<b>\$0.95</b>			

### Ownership + Mileage

If using this methodology, then using the Automobile Association (AA) tables for compact vehicles in continuous use, you would reimburse ownership costs with a fixed monthly payment that would depend on the number of working weekdays that your worker is employed. For example, the fixed costs payable to a full-time employee could be calculated as  $(46^3/12 \times 5 \times \$19.22) = \$368$ , say **\$370/month** for ownership and **29 cents per KM** for operational costs.

For a part-time worker, say 25 hours per week, the calculation could be  $[(46/12) \times ((25/40) \times 5) \times \$19.22] = \$230/month$ .

<sup>2</sup> AA Petrol Car Operating Costs - Summary 2023

<sup>3</sup> 46 working weeks in a full year.

### Mileage only

If using this methodology, based on AA costs, you would reimburse both ownership and operational costs with a payment of **\$0.79 cents per KM**.

The IRD rate of 95 cents is much higher and closer to the medium vehicle category. This is because the rate does not differentiate between vehicle categories and presumably uses an average medium range. Given our charitable status, we do not recommend the use of this rate, which we could argue that it is not climate change sensitive.

### Vehicle Category Variance

Where the use of a vehicle in the medium category is justified, the rates can be adjusted as per the AA table costs resulting in a mix of reimbursement costs payable for private vehicle use.

Equivalent rates for Hybrid and EV vehicles are available on request.