

The Approved Mileage Allowance Payment Rate

CTA Briefing for Westminster Hall Debate

Monday 3 July 2023



SUMMARY

What is the AMAP rate?

The Approved Mileage Allowance Payment (AMAP) is used by employers and volunteer-involving organisations to reimburse employees and volunteers for the use of their own vehicles in the course of their duties.

Millions of people across the UK rely on employers and organisations using the administrative simplicity of the AMAP rate to cover their out-of-pocket expenses without implications for their tax obligations or social security entitlements.

Why is a review of the AMAP rate needed?

The Community Transport Association (CTA) is calling for HM Treasury to conduct a fair, urgent and transparent review of the AMAP rate. The AMAP rate for cars and vans has been 45p per mile for the first 10,000 miles, 25p thereafter and an additional 5p per passenger since 2012. The cost of motoring has increased by 41.8% between 2012 and April 2023.

Over a decade later, the 2012 AMAP rate is outdated and no longer fit for purpose. It does not reflect the real costs of motoring in 2023, leaving employees and volunteers out of pocket in the midst of a cost-of-living crisis. CTA's call for a review of AMAP is backed by a coalition of ten leading organisations representing over 20 million volunteers across the UK.

What would a review of the AMAP rate achieve?

The 2012 AMAP rate is a major threat to Community Transport and volunteering. It is harming the ability of non-profit operators to recruit and retain volunteer drivers, which hundreds of thousands of older and disabled people rely on to help them access hospital, GP and dental appointments, COVID-19 and flu vaccinations and social care. This threatens to result in higher levels of missed appointments, worse patient outcomes, longer NHS waiting lists and higher costs for taxpayers.

A review of AMAP to deliver an inflationary uplift to the 2012 rate would therefore:

- **Protect the NHS** and support the UK Government's aim to cut waiting lists
- **Support essential Community Transport services** at no cost to the Exchequer
- **Keep volunteering affordable for all** regardless of income or geography
- **Mitigate the impact of the cost-of-living crisis on low-paid workers** in key sectors of the economy, such as social care
- **Empower small businesses and charities** and reduce the administrative and financial burden on employees and volunteers

THE STATUS QUO

The AMAP is used by employers and volunteer-involving organisations to reimburse employees and volunteers for the use of their own vehicles in the course of their duties. It was introduced in 2002 to provide administrative simplicity.

Different AMAP rates are set for cars and vans, motorcycles and bicycles. It applies to fossil fuel and electric vehicles. The AMAP rate for cars and vans was set at 45p per mile for the first 10,000 miles, 25p thereafter and an additional 5p per passenger in 2012. The AMAP rate can be changed by HM Treasury and changes are announced by the Chancellor at fiscal events.¹

Millions of people across the UK rely on employers and organisations using the administrative simplicity of the AMAP rate to cover their out-of-pocket expenses without implications for their tax obligations or social security entitlements and without any additional red tape. The AMAP rate is supposed to reflect all 'vehicle running costs including fuel, depreciation, servicing, insurance and Vehicle Excise Duty'.²

Employers and volunteer-involving organisations are not required to declare payments to HMRC if they do not exceed the AMAP rate. Any reimbursement above this amount may be liable for income tax or National Insurance Contributions and has to be reported to HMRC.

Decisions on the level of reimbursement are made by employers and volunteer-involving organisations. Neither reimbursement nor the AMAP rate are mandatory. However, the AMAP rate is widely perceived as best practice by Community Transport operators, as well as many other employers and volunteer-involving organisations, and is therefore implemented across the voluntary and third sectors. It is an important signal of the real cost of motoring.

Moreover, the AMAP rate is also used to assess whether a volunteer may be judged to be 'making a profit' or 'earning an income' from their duties. The 2012 AMAP rate therefore acts as a de facto block on Community Transport operators reimbursing their volunteer drivers more than 45p per mile regardless of their out-of-pocket expenses.

THE CASE FOR CHANGE

Motoring costs have changed – and the AMAP rate must change with it.

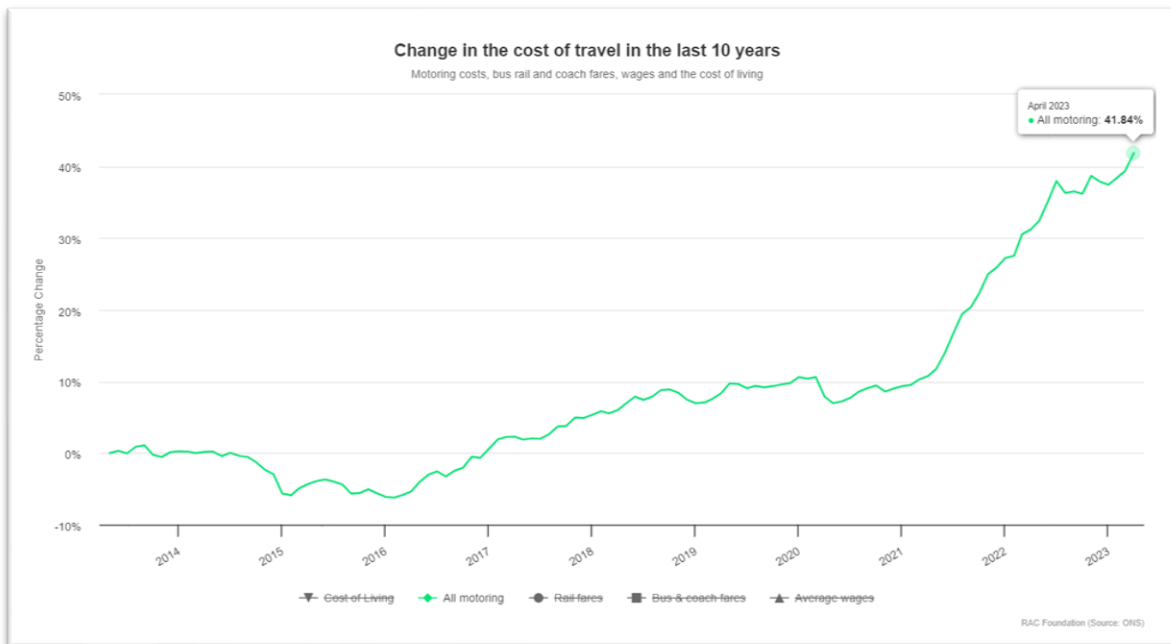
The cost of motoring has increased by 41.8% since the 2012 AMAP rate was set at 45p per mile, according to the RAC Foundation's Cost of Transport Index.³ Price rises are particularly acute in remote, rural and island communities.

¹ www.commonshlibrary.parliament.uk/research-briefings/cbp-9742/

² www.gov.uk/expenses-and-benefits-business-travel-mileage

³ www.racfoundation.org/data/cost-of-transport-index

However, HM Treasury has indicated that there is no specific calculation involved in setting out AMAP rates. It has said the rates are a ‘policy decision taken after considering issues including the cost of motoring (e.g. fuel, insurance), the cost to the public purse of changing



the rate and the overall fiscal position’. It has repeatedly stated that it keeps the AMAP rates ‘under review’, but has not shared the analysis or evidence behind its decision. Policymaking should be transparent and evidence-based. It is essential that a review of AMAP is conducted according to a set of fair and open criteria as part of a regular and ongoing cycle of review which is known, understood and supported by stakeholders.

Our proposal for a fair, urgent and transparent review of AMAP was the subject of formal representations from a CTA-led coalition to HM Treasury ahead of the Autumn Budget 2022 and the Spring Budget 2023.⁴

CTA’s campaign is backed by ten leading voluntary sector organisations representing over 20 million volunteers across the UK – including 1.7 million volunteers who are directly involved in transport-related volunteering and contribute over £2 billion to the UK economy every year:⁵

- the National Council for Voluntary Organisations (NCVO);
- Volunteering Matters;
- the Royal Voluntary Service;
- Communities 1st;
- Volunteer Now;
- the Scottish Council for Voluntary Organisations (SCVO);
- Volunteer Scotland;

⁴ www.ctauk.org/wp-content/uploads/2023/02/CTA-AMAP-Coalition-Spring-Budget-Representation-2023.pdf

⁵ www.volunteerscotland.net/media/254583/guidance_-_calculating_the_economic_value_of_your_volunteers.pdf

- the Wales Council for Voluntary Action (WCVA); and,
- the Scottish Volunteering Forum.

A review of AMAP is also supported by Unison, the Association of Taxation Technicians and Hillier Hopkins LLP, tax advisers and chartered accountants.⁶ A UK Parliament petition by the Good Neighbours Network calling for an increase of the standard AMAP rate to 60p per mile secured 41,589 signatories.⁷

THE IMPACT

Community Transport services are at the heart of local communities in every nation and region of the UK. They bring people together, tackle exclusion, isolation and loneliness and bridge gaps in the public transport system. Many operators deliver non-emergency patient transport to support access to health and social care.

Many older and disabled people rely on these services to attend appointments at hospitals, GP surgeries and dentists, as well as COVID-19 or flu vaccination centres and social care settings. Despite typically not being funded by the public sector, Community Transport protects the NHS by widening access to health and social care services, preventing missed appointments, reducing delayed discharge and helping people to live healthily and independently in their own homes.

However, the 2012 AMAP is undermining these essential services by disincentivising volunteering. 65% of Community Transport operators report lower levels of volunteer recruitment and retention due to soaring fuel costs and an unresponsive AMAP rate. As a result, many operators have had to cut services (32%) or raise fares (65%).⁸

A review of AMAP will support Community Transport operators to address driver shortages, attract new volunteers and continue to do this vital work. We know some volunteers can absorb higher costs associated with volunteering, but many cannot. A failure to act will exacerbate existing inequalities in who can afford to volunteer and leave the most vulnerable communities underserved.

As it is paid directly by the organisation, an inflationary uplift to the AMAP rate would incur no costs for HM Treasury. A higher threshold which reflects the real costs of motoring in 2023 would give employers and volunteer-involving organisations the freedom to reimburse their employees and volunteers at a level which is appropriate and affordable for them.

QUESTIONS FOR THE DEBATE

1. Motoring costs are nearly 42% higher in 2023 than in 2012 when the AMAP rate was set at 45p per mile. When will the UK Government act to bring the AMAP rate in line with inflation as is long overdue?

⁶ www.researchbriefings.files.parliament.uk/documents/CBP-9742/CBP-9742.pdf

⁷ www.petition.parliament.uk/petitions/600966

⁸ www.ctauk.org/amap-campaign

2. The UK Government has stated that it keeps the AMAP rate under review. Can the Minister explain what this process entails, the evidence which is considered and the criteria which are utilised? And to what extent does this process involve engagement with employers, volunteer-involving organisations and representative bodies or employees, trade unions and volunteers?
3. Guidance suggests that an employee or volunteer could be reimbursed higher than the AMAP rate yet also states that the AMAP rate should be used to assess whether someone is making a profit from driving their own vehicle and therefore any reimbursement above this threshold is taxable. Does the Minister recognise this anomaly? And is reform of the current AMAP system, which leaves people out-of-pocket, therefore required?
4. Local charities and community groups in the Community Transport sector are facing a running costs crisis due to the rising cost of equipment, fuel, labour, maintenance and vehicles. How will the UK Government invest in the sector to support non-profit operators to meet these costs and continue to deliver its essential services?

FURTHER INFORMATION

The Community Transport Association (CTA) is a UK charity leading a thriving Community Transport movement in England, Scotland, Wales and Northern Ireland.

Our members are local charities, community groups and social enterprises who we support to deliver inclusive, accessible and sustainable transport solutions, from scheduled bus and dial-a-ride services to car clubs and volunteer car schemes.

AMAP Campaign Hub:

www.ctauk.org/amap-campaign

Briefing from the House of Commons Research Library:

www.commonslibrary.parliament.uk/research-briefings/cbp-9742/

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