

Clause 1: Voluntary office-holders: payments in respect of expenses

Summary

1. This clause places an existing Extra-Statutory Concession on a statutory footing by introducing a new section into Chapter 8 of Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (“ITEPA”). It prevents any liability to income tax arising in respect of a payment or reimbursement of reasonable private expenses to a voluntary office-holder.

Details of the clause

2. Subsection (1) introduces new section 299B “Voluntary office-holders: payments in respect of expenses” into ITEPA, following section 299A, an existing provision relating to voluntary office-holders.
3. New subsection 299B(1) provides that no liability to income tax arises in respect of a payment to a person who holds a voluntary office if the payment is in respect of reasonable private expenses incurred in carrying out the duties of that office.
4. New subsection 299B(2) provides that it does not matter whether the payment is an advance payment or a reimbursement, or whether the person who makes the payment is the person with whom the office is held.
5. New subsection 299B(3) provides that subsections (2) and (3) of section 299A apply for the purposes of subsection (1) of 299B as they apply for the purposes of subsection (1) of section 299A.
6. Subsection (2) amends section 299A (3) (a) ITEPA 2003 to clarify that payments falling within section 299A (1) may be made by way of an advance payment or a reimbursement.
7. Subsection (3) provides that the exemption has effect from the start of the 2020-21 tax year onwards.

Background note

8. Section 5, Chapter 1 of Part 2 ITEPA applies the charge to tax on employment income to volunteers who are also office holders. Where they are paid or reimbursed business expenses incurred in the performance of the duties of the office, then s289A ITEPA provides an exemption from liability to income tax for those expenses. However, this section only covers business expenses, and not the reimbursement of private expenses - such as travel from home to the place where the office is carried out - which would usually be chargeable to tax. Currently, HM Revenue and

Customs guidance sets out that voluntary workers, including office holders, who are otherwise unpaid are not liable to tax (or National Insurance contributions) on the reimbursement of extra costs incurred in undertaking the voluntary work, but this does not reflect the statutory position.

9. The government announced at Budget 2018 that they would replace the existing extra-statutory concessionary treatment with a statutory income tax exemption for payments made to voluntary office holders for private expenses. The new clause brings the government's announcement into effect.
10. The new clause will not affect how HMRC interpret or apply s299A of ITEPA.
11. If you have any questions about this change, or comments on the legislation, please contact the Employment Income Team email:
employmentincome.policy@hmrc.gov.uk