

## Volunteer Expenses

### Why cover volunteer expenses?

Volunteers are giving their time to you for free so it's helpful if they don't have to cover other costs too. Also, for someone thinking about volunteering, any extra costs might put them off if they feel like they'll not be able to afford it.

For organisations, covering expenses often makes up a fair proportion of volunteering costs. So it's important that you budget for them even though not all volunteers claim expenses. Include the details of what paying all expenses could cost you in any funding applications and grants.

### Why is getting it right important?

It's important that money given to volunteers should only be for actual expenses for a number of reasons.

- Any money given above 'out of pocket' expenses is regarded by HMRC as eligible for Income Tax and National Insurance Contributions.
- It could be viewed by an employment tribunal as being an employment contract between the volunteer and the organisation or group. As a result, the volunteer would be granted the same rights as employees, including the national minimal wage.
- It could affect payments if a volunteer is in receipt of benefits.

### Your expenses policy

Your policy will have to be specific to your organisation. Think about what volunteers do with you, when and where they volunteer and when they might have to spend extra money whilst volunteering. Here are some things to consider when planning what and how you'll cover your volunteers' expenses.

**What should be covered?** You might choose to cover expenses such as travel costs where the volunteer has used their own vehicle or taken public transport. You might choose not to cover the cost of a taxi, unless you've agreed this in advance. The actual cost of a meal could be covered if a volunteer is with you all day. Maybe the volunteer needs to buy protective clothing, although you might choose to issue this to volunteers. Some volunteers have to make telephone calls as part of their volunteering and these costs could be covered by the organisation.

**Mileage Rates:** As long as expense payments made to volunteers are in the rates outlined in the approved mileage allowance payments scheme they are not taxable. You can provide reimbursement for cars, van, motor cycles and bicycles. Find out more about approved mileage rates.

### Volunteer Drivers

Volunteer drivers can provide a vital service to your organisation or group. If volunteers offer to use their own car to transport your clients or products there are a number of things to be aware of. It's important that expenses paid are not more than the costs incurred as this profit would be taxable. Also, if a volunteer driver claims mileage from more than one organisation, the HMRC mileage allowance applies to their total mileage each year. They will need to make sure that the correct mileage rate is being applied. So volunteer drivers would probably find it useful to keep a record of the number of miles they drive whilst volunteering. Organisations or groups should keep records of receipts for at least two years. Find out more about tax for volunteer drivers. Also from 6 April 2011 volunteer drivers can claim a passenger rate of 5p per mile for

every passenger they transport as part of their volunteering role. This is independent of the mileage allowance and should not be included in any of the calculations.

## **How to claim expenses**

Volunteers will need to submit receipts to show that they have incurred each cost through their volunteering.

- Develop a simple claim form.
- Be clear about what expenses will and will not be covered.
- Be clear if there are limits on the amount that can be claimed such as a maximum mileage for each round trip.
- Try to pay back expenses as soon as possible. Using cash or bank transfer avoids any delays. If expenses are paid on certain dates make sure volunteers know the deadline so they do not have any unnecessary delay.
- Not all volunteers may have a bank account so cash reimbursement should be available if preferred to bank transfer.
- You can pay expenses in advance, for example for a month bus ticket, as long as receipts are provided once the money has been spent and any remainder is returned by the volunteer.

## **Encourage volunteers to claim expenses**

Sometimes volunteers feel that they should not claim expenses. This might be because they feel it's asking for too much or because they don't need the money. Having money there to cover costs for volunteers is part of knowing the true cost of planning for volunteers so it's good to encourage volunteers to claim it. If a volunteer insists that they don't want to claim expenses then they could choose to give their expenses back to the organisation by setting up a Gift Aid Scheme.

**Gift Aid:** Where an organisation or group physically pays the expenses to a volunteer, the volunteer can keep this to cover their costs or may choose to donate (Gift Aid) some or all of it back to you as an actual payment of money. It's better if it's by cheque so it can be cleared and properly recorded. The value of a volunteer's time as a 'donation in kind' does not qualify for Gift Aid. Find out more about the rules of the Gift Aid Scheme and how to keep records and audit requirements.

**Gifts** It is important that any gifts given to say thank you to volunteers are seen as one off occurrences. Anything that is received regularly could be classed as payment in kind and become eligible for Income Tax. Legal requirements change so it is important that you have a process in place to regularly review your expenses policy and claim procedure.

## **Need some more help?**

If you would like more help or advice in relation to this guide please get in touch with us:

- Telephone: 01851 700366
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**Based on Volunteer expenses by Volunteer Scotland.**