

## Volunteer expenses, Legal Pitfalls and Case Studies

Although people give their time freely they should not be out of pocket through their volunteering. If expenses are not available you could have a situation where only people who can afford to volunteer do so. This clearly has implications for equal opportunities.

A volunteer can be reimbursed for reasonable out-of-pocket expenses free of tax as long as they are a necessary for volunteering or are incurred as a part of volunteering work (e.g. postage, phone calls, stationery) .

If a volunteer gets any other payment, reward or benefit in kind, they may be classed as an employee or worker, rather than a volunteer. This includes any promise of a contract or paid work in the future. (See **legal pitfalls p3** and **Examples on p4**)

### What can be reimbursed?

- travel to and from the place of volunteering (and any travel whilst volunteering )
- meals whilst volunteering (generally if the volunteer works more than 4 hours in one day)
- postage, phone calls, stationary etc
- cost of and special clothing or equipment that you need to carry out your volunteering
- The cost of somewhere to stay if you have to be away from home overnight because of your volunteering
- the cost of care expenses (if organisations have the necessary finances to do this)
- books or training materials the volunteer buys for their volunteering work

### Making expenses payments

- Only pay actual, out of pocket expenses necessary for volunteering
- Pay volunteer expenses on the day and have facilities for cash payment as not everyone has a bank account.
- Be pro-active. Demonstrate you value their time by asking volunteers if they would like expenses. Some volunteers feel asking for expenses is like begging.
- Always keep a record of the expenses. This should include the name of the claimant, the type of expense and the amount paid. Ask the volunteer to sign and date to say they received the expense.
- If he or she has a day saver ticket, take a photocopy of the ticket and attach the photocopy to the record of expenses.
- If they have a **weekly bus ticket**, take a photocopy of the ticket, divide the cost of the ticket by 5. Give the volunteer 1/5<sup>th</sup> of the total cost as a proportion of the cost of the ticket.
- The same principle would apply to a monthly or season ticket.

## Payments in advance.

For some people on a low income, even the cost of buying the bus fare may be too much. Other people (for example some asylum seekers) receive their benefits with a payment card and have no access to cash.

Offering to give people cash in advance so they can buy the ticket can remove this barrier. If you do this, make sure that you get a photocopy of the bus ticket before giving advance payment for the next ticket.

## The HM Revenue and Customs approved mileage rates from 2011-13 are:

| Type of vehicle   | Rate per business mile 2013-14  |
|-------------------|---|
| <b>Car</b>        | For tax purposes: 45p for the first 10,000 business miles in a tax year, then 25p for each subsequent mile<br>For NICs purposes: 45p for all business miles |
| <b>Motorcycle</b> | 24p for both tax and NICs purposes and for all business miles   |
| <b>Cycle</b>      | 20p for both tax and NICs purposes and for all business miles   |

## Verifying Mileage:

Some organisations ask volunteers to use Google Maps or AA routefinder to verify their mileage. A printout from such a website provides evidence of the mileage between two locations. For regular journeys it would only be printed once and then stored in the volunteer's file.

This approach is used mostly where volunteers are making substantial mileage claims and/or where it is useful to evidence that public transport is not a practical alternative, even if it might be cheaper.

It has also been used where volunteers have not recorded their mileage accurately. It could also highlight that public transport is a cheaper and reasonable alternative.

However, as it is not a legal requirement, you will need to decide if the additional administration of this type of system is necessary and proportionate to your organisation's needs and resources.

## What if volunteers do not want to claim?

Everyone should be encouraged to claim expenses to avoid a situation where some people feel bad about claiming because not everyone does. Covering their own expenses is seen by some volunteers as an additional way of giving to the organisation. If this is the case, they can be encouraged to claim and then gift back the money to the organisation. This way you have an accurate record of how much the volunteer programme costs for future budgeting. If volunteers are tax payers then gift aid can also be claimed on their donation.

## **Avoiding the legal pitfalls**

If a volunteer gets any other payment, reward or benefit in kind, they may be classed as an employee or worker, rather than a volunteer. This includes any promise of a contract or paid work in the future.

Being classed as an employee or worker gives people gives them certain rights.

### **This could then result in:**

- Successful backdated claims for a minimum wage.
- Successful claims for unfair dismissal or for discrimination.
- Backdated claims by Revenue and Customs for unpaid income tax and national insurance. The payment to the “volunteer” is treated as ‘net’ for these purposes.

### **You should avoid giving volunteers:**

- ‘pocket money’ not connected to actual out-of pocket expenses
- sessional fees
- honoraria (one off payments for work done)
- lump sums or other payments to cover “expenses” that are not in line with the rules for expenses outlined above.
- Regular perks such as free items in return for volunteering.

### **What rewards are ok?**

Rewarding volunteers as a group (e.g. by paying for outings, parties or ceremonies) is allowed as long as the cost is reasonable in proportion to the organisation’s total income and the scale of the contribution to its work made by the volunteers.

Small in-kind gifts to individual volunteers as a “thank you” (e.g. vouchers, tickets to events, flowers, chocolates) are permitted as long as the cost is reasonable in proportion to the organisation’s total income and that volunteer’s contribution to the organisation’s work.

## Expenses Examples and Case Study with HMRC response:

One organisation believed that volunteering could only cover the cost of expenses directly related to travel to and from the volunteer's home and the place where they volunteered. A day saver could be used for other purposes and a weekly ticket might have been bought anyway so was not 'out of pocket'.

We emailed the HMRC Charity Tax guidance technical team the above guidance on making expenses and the clarifying statement below:

*'Taking a photocopy of a day saver ticket or paying a proportion of a weekly bus ticket is operationally better for charities and saves money. We acknowledge that a volunteer could use the weekly ticket after they volunteer and this is not travel to or from the organisation for volunteering.*

*Please could you approve that our guidance is acceptable from an operational basis, that charities and volunteers are better served by following our guidance and that there are no restrictions, whether tax, legislative or other that would prevent a charity from following these guidelines.'*

They sent the following response:

*Reasonable cost effective reimbursement of travel expenses incurred by volunteers in carrying out work for the charity, including from home to the place where the work is undertaken for volunteers, is acceptable for tax purposes and is not a taxable benefit. Your charity policy on volunteers expenses appears reasonable in this regard. (Note that for employees of the charity, home to normal place of work is not allowable for tax purposes, and would constitute a taxable benefit). HMRC Charities email: 30/7/2013*

**Further examples taken from the Direct.gov website:** [www.gov.uk/volunteering/pay-and-expenses](http://www.gov.uk/volunteering/pay-and-expenses)

### Example 1

Ellie volunteers at a company to get some work experience. She's given travel expenses even though she walks to work. This is payment, rather than out-of-pocket expenses, so she must be paid at least the minimum wage.

### Example 2

Dave volunteers for an organisation tending local parks. All volunteers get £3 a week for travel but Dave is responsible for a park close to his home, so he walks there. This means the £3 is a payment and not a reimbursement of expenses. It could count as a contract of employment meaning Dave could be eligible for the minimum wage.

### Example 3

Joe is an unpaid intern at a record company, but he's given free CDs as a perk. The CDs are 'benefits in kind'. They mean he must be paid at least the minimum wage.

### Example 4

Amanda is a unpaid intern at a design company. She's been promised that she'll be taken on as an employee after 3 months. This counts as a reward, so she must be paid at least the minimum wage for the whole time she spends at the company.