

VOLUNTEERING AND EXPENSES

INFORMATION SHEET

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Best Practice

It is good practice to reimburse volunteers for the expenses they incur as a result of volunteering for your organisation. Volunteering should not cost volunteers money. However many volunteer involving organisations are worried about the way in which they reimburse their volunteers. The initial pages examine best practice for organisations when reimbursing volunteers. The rest of this pack looks at specific areas of volunteer expenses including, volunteers who are receiving social security benefits, the reimbursing of childcare expenses, issues around taxation, how the National Minimum Wage may impact on volunteering and issues covering expenses for volunteers who have caring responsibilities.

- All volunteers should be reimbursed genuine out-of-pocket expenses i.e. the exact amount volunteers have spent in the course of their volunteering. The expenses can cover:
 - travel to and from the place of volunteering
 - meals taken while volunteering
 - care of dependants (including children) during volunteering,
 - postage, phone calls, etc
 - travel in the course of volunteering
 - cost of protective clothing
- A claim form should be drawn up detailing the expenses. Keep it brief and only ask for relevant information, e.g. names, dates, amounts and signature of the volunteer and person authorising the payment.
- Organisations should as far as possible ask for and keep receipts from each volunteer. These receipts should be attached to the expenses claim form.
- Organisations can establish upper limits on things like lunch. For example if the upper limit for lunch is £5 this means that volunteers should be reimbursed the exact amount they have spent on lunch but it should be *no more than* £5.

- It is important that volunteers know how to claim their expenses and that they are reimbursed quickly.
- If organisations follow this model of best practice it avoids confusion for all involved i.e.
 - no employment contract will be said to exist
 - volunteer's social security benefits will not be effected
 - volunteers will not be liable for tax
 - National Minimum Wage legislation will not be applicable

Mileage

- Volunteers should be reimbursed for any mileage expenses they incur. This can mean:
 - Travel to and from the place of volunteering
 - Travel undertaken during volunteering e.g. transporting clients, going to meetings

The amount of money reimbursed for mileage should be based on the Authorised Mileage Rates as allowed by the Inland Revenue. The advantage of using these rates is that your organisation and /or volunteers will not be liable for tax. This rating system came into effect on 6 April 2011. You should check with the Inland Revenue for any changes that may be made <http://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-and-fuel-allowances>

At time of writing the authorised mileage rates for cars and vans are:

- | | | |
|---|---|-----|
| - | On the first 10,000 miles in the tax year | 45p |
| - | On each additional mile over 10,000 miles | 25p |
| - | Motorcycles | 24p |
| - | Bicycles | 20p |
- When volunteers carry passengers as part of their voluntary work, they can claim an additional 5p per passenger on top of the authorised mileage allowance.
 - Volunteers should be asked to complete an expenses claim form, which should be checked and signed by your organisation.

Payment of flat rate expenses

Some organisations pay volunteers a flat rate of £x per week to cover expenses. Many organisations find this method simplifies administration procedures. ***Organisations that choose to reimburse volunteers flat rate amounts must get permission from the Inland Revenue.***

However if volunteers are making a profit i.e. receiving more than the actual amount that they were out of pocket in the first place, no matter how small, there can be implications in terms of effecting welfare benefits, implying the existence of an employment contract and making the volunteer liable for taxation. If your organisation does decide to give volunteers a fixed or flat rate amount there are some steps you can take to minimise the risk;

- work out a realistic, reasonable amount for each volunteer based on their individual circumstances, and

- be clear about exactly what you intend the money to cover, do not leave amounts unaccounted for (e.g. as a bonus or thank you).

Volunteers, Expenses and Social Security Benefits

Provided you follow the best practice previously outlined, the receipt of volunteer expenses should not effect any benefits volunteers receive. However there are certain rules and other information regarding benefit legislation that should be taken into account when reimbursing expenses to volunteers who are receiving benefits. This should not be a barrier to volunteering for volunteers or a barrier to involving volunteers in receipt of benefits. The rule of thumb is that:

- Volunteering will not effect a person's entitlement to benefits as long as they are only receiving the reimbursement of genuine out of pocket expenses
- There is no limit to the amount of hours a person can volunteer when they are receiving benefits

General Guidelines

When dealing with volunteers who receive benefits, **organisations should:**

- Make contact with your local social security office and let them know about your organisation, what your aims are and how you involve volunteers.
- Draw up a letter which can be adapted for each volunteer and sent to each volunteer's local social security office which will:
 - Clarify that the volunteer will be carrying out a role which would **not** normally be done by a member of staff and for which they will be receiving **no** payment.
 - Inform the social security office of the nature of the expenses that the volunteer is likely to receive. That is, they are the reimbursement of genuine out of pocket expenses. Include a list of the things expenses will cover.
 - Point out, that if the volunteer will be receiving training that it is training which is essential for them to carry out their role.
- Try to identify a person in the social security office who you can contact when you need information.
- Find out what benefits volunteers receive and provide them with information on how volunteering may or may not effect them.
- Make it clear to volunteers that it is their responsibility to take the necessary steps required by the social security office before they begin volunteering.

Volunteers who receive benefits should:

- Talk to their local social security office before they begin volunteering to find out exactly what impact volunteering will have on their benefits as each individual case will be

different. Volunteers should have the necessary information to do this and ensure they have written documentation from the organisation to back up what they are saying.

Payment in Advance

In September 2001 social security legislation changed to allow organisations to pay volunteers expenses in advance of expenditure without it affecting any benefits the volunteer might be receiving. The benefits that this will apply to are Jobseekers Allowance, Housing Benefit and Income Support. This means that volunteers will not be out of pocket at any stage. However your local social security office is likely to require evidence of the amount and nature of the expenditure. It will be quicker for all concerned if the organisation supplied this information to volunteers as soon as they begin volunteering. The volunteer can then pass this on to their social security office. Overleaf is a sample of the information organisations should provide.

SAMPLE 1

SAMPLE LETTER TO LOCAL SOCIAL SECURITY OFFICE FOR REIMBURSEMENT OF VOLUNTEER EXPENSES IN ADVANCE.

Dear

RE: Volunteer Expenses for (*volunteer's name and address*)

The above person is a volunteer with (*organisation*). They commenced volunteering with us on (*date*) and volunteer for an average of (*number*) hours per week. They will receive expenses to reimburse what they spend in the course of their volunteering. These expenses cover: (*select relevant expenses*)

- Travel to and from the place of volunteering
- Meals taken while volunteering
- Care of dependants during volunteering
- Travel in the course of volunteering
- Cost of protective clothing

We have taken (*volunteer's name*) individual circumstances into account and the estimated amount of expenses that he/she will incur is an average of £x per week. This will be paid at the beginning of each week and (*volunteer's name*) will submit evidence of expenditure at the end of each week.

If you have any questions or would like more information please feel free to contact me on (*contact details*).

Yours sincerely

Volunteer Co-ordinator

Jobseekers Allowance (JSA)

In order to qualify for JSA you must fulfil a number of requirements.

You must be:

- Actively seeking work
- Available for work

People can still volunteer as often as they like and fulfil these requirements provided:

- They are **still looking for work** as agreed with their Personal Advisor.
- They can be **contacted quickly** if the chance of a job comes up.
- They are able to attend job interviews at 48 hours' notice and available to work at one week's notice.
- It is **considered 'reasonable'** for an organisation **not** to pay a volunteer a wage for the role they are doing. If it is not considered reasonable the social security office may reduce JSA by the amount the volunteer **could** be paid, even if they are receiving no wage. What is considered reasonable is left open to interpretation by each local office. If there is any doubt it is **essential** to seek more information on individual volunteers circumstances from the relevant agencies.
- Volunteers must tell the social security office that they are carrying out their volunteering. Staff at each office have considerable discretion in deciding if a person is meeting the obligations under JSA. It is in the volunteer's best interest to create an open and honest relationship and show how volunteering does not contradict the terms of their JSA. Volunteer involving organisations should assist the volunteer by providing them with information and support. Overleaf is a sample of the information organisations should provide.
- Volunteers must tell the social security office if they receive any benefits in kind (e.g. honorarium).

Sample Letter for Volunteers in receipt of Job Seekers Allowance

Dear

RE: (volunteer's name and address)

The above mentioned person is a volunteer with our organisation and is based at (address of place of volunteering). He/she contributes approximately (number) hours per week volunteering as a (volunteer role) in order to gain valuable experience in his/her chosen career.

While undertaking this role he/she:

- *Will not be asked to do work, which would normally be done by some one in paid employment.*
- *Will receive no remuneration only the reimbursement of genuine and reasonable out of pocket expenses.*
- *Will be available to attend an interview at 48 hours' notice or take up employment at 1 week's notice.*
- *Will be contactable while volunteering should a job opportunity or interview become available. (Organisation) will endeavour to pass on messages as quickly as possible.*
- *Will receive (on-the-job training/other training), which is essential for the volunteer role.*
- *Will receive a reference from (Organisation) if requested.*

If you require further information please do not hesitate to get in touch.

Yours sincerely

Volunteer Co-ordinator

From 27 October 2008 Employment and Support Allowance replaced Incapacity Benefit and Income Support paid on incapacity grounds for *new* customers.

You can still be a volunteer and get Employment and Support Allowance as long as you:

- Follow the basic rules;
- Can still go to any work- focused interviews or medical assessments and
- Let the Employment and Support Allowance know before you start and tell them about any expenses you may get.

Incapacity Benefit (IB)

Volunteers who receive Incapacity Benefit should ensure that they carefully follow the rules for this particular benefit.

Volunteers can volunteer for as many hours as they like without effecting their entitlement to IB provided that:

- They receive only the reimbursement of genuine out of pocket expenses.
- The volunteering is not for a close relative.
- They inform the Incapacity Benefit branch that they are volunteering. Although there is no guidance on when to inform the social security office, practice has shown that this is best if it is done before they start volunteering. Volunteers should wait for a reply from IB branch before they start volunteering.
- They inform the social security office if they receive any benefits in kind e.g. honorarium.

Income Support (IS)

Income support will not usually be affected by volunteering as long as:

- Volunteers receive only reimbursement of genuine out of pocket expenses.
- **It is considered 'reasonable' for an organisation not to pay a volunteer a wage for the role they are doing.** If it is not considered reasonable the social security office may reduce IS by the amount the volunteer **could** be paid, even if they are receiving no wage. What is considered reasonable is left open to interpretation by each local office. If there is any doubt it is **essential** to seek more information on individual volunteers circumstances from the relevant agency.
- Volunteers must tell the social security office that they are carrying out their volunteering.
- Volunteers must tell the social security office if they receive any benefits in kind (e.g. honorarium).

Disability Living Allowance (DLA)

Volunteering will not effect a person's entitlement to DLA. However volunteers must inform the Social Security Agency that they are volunteering.

Carers Allowance (CA)

Volunteering will not affect Carers Allowance as long as it does not stop the volunteer caring for a severely disabled person for at least 35 hours per week.

Volunteers, Expenses and Child-Care

If volunteers incur costs for child-care in the course of their volunteering it is important that this expense is reimbursed. Choosing who should look after a child is a matter for parents and carers. Volunteer involving organisations that are reimbursing volunteer expenses have a responsibility to:

- Ensure the expenditure is legitimate.
- Encourage good practice in child protection.

For these reasons it is **preferable** that children are looked after by a registered childminder or in a play-group registered with the local Health and Social Care Trust. This is because:

- All registered childminders and playgroups are required to implement a comprehensive series of quality standards designed to ensure children in their care are well looked after.
- A registered childminder or playgroup will be able to supply a volunteer with a receipt which volunteer involving organisations can use to verify expenditure.

However in some cases registered childminders may not be available or some parents or carers may choose to have their child looked after by an adult they would trust to look after their child in other circumstances. This situation is less clear cut in terms of expenses and child protection.

Child Protection Parents and carers are responsible for their child's welfare at all times. It is up to them to make informed decisions about the adults that they choose to look after their children. However organisations can help by providing information to parents on child protection issues. This can range from information on health and safety to information on how to identify signs of abuse. The Our Duty to Care Team at Volunteer Now will be able to provide information and support to organisations on all areas of child protection.

Expenses All volunteer involving organisations should encourage volunteers to submit regular expenses claim forms which the organisation should check before reimbursing the expenses. Receipts should back up these expenses where possible. Childcare expenses may account for a substantial portion of your volunteer expense's budget and many organisations will need a way of tracking this expenditure. Organisations may want to draw up a claim form, which deals specifically with the reimbursement of childcare expenses. The claim form should seek information on:

- The name, address and age of the person looking after the child.
- The amount of hours spent looking after the child.
- The amount of money paid to the person looking after the child.
- It should be signed by the person looking after the child, by the parent or carer and volunteer co-ordinator.

If an organisation follows good practice in the support and supervision of its volunteers and has a good relationship with its volunteers, it is reasonable for them to assume that when a volunteer fills in and signs an expenses claim form, that the expenses are legitimate.

How much should we pay? If a parent or carer is using the services of a registered childminder they will usually have a set charge for their services which the volunteer will have to pay. This is the amount that should be reimbursed. The Northern Ireland Childminding Association recommends a minimum hourly rate of £3.30 per hour per child for full-time childcare. Part-time places may be charged at an enhanced hourly rate. Organisations can use this rate as a guide but you should ensure that the rate you set is realistic for the volunteer and affordable for your organisation.

As with all volunteer expenses it is not good practice to reimburse a flat rate of expenses e.g. £20 a week to cover childcare regardless of the actual cost. Volunteers should be asked to detail the amount of hours for which childcare was required and should be reimbursed based on this information. Organisations can establish upper limits for childcare expenses, which are appropriate for your organisation and fit within your budgetary constraints. For example, if the upper limit for childcare is £15 this means that volunteers should be reimbursed the exact amount they have spent on childcare but it should be no more than £15.

Volunteers, Expenses and Carers

If volunteers have the responsibility for the care of another person, volunteer involving organisations should ensure that this does not become a barrier to volunteering.

- Many carers who wish to become volunteers will need to arrange for someone else to take over their caring duties while they volunteer. If volunteers incur expenses for this, volunteer-involving organisation should meet these costs.
- It is up to the volunteer involving organisation to set rates for the reimbursement of expenses associated with caring responsibilities. As with all volunteer expenses it is not good practice to reimburse a flat rate of expenses e.g. £20 a week to cover carers' expenses regardless of the actual cost. Volunteers should be asked to detail the amount of hours for which cover was required and should be reimbursed based on this information. Organisations can establish upper limits for these expenses, which are appropriate for that organisation and fit with in their budgetary constraints. For example if the upper limit is £15 this means that volunteers should be reimbursed the exact amount they have spent but it should be no more than £15.

All volunteer involving organisations should encourage volunteers to submit regular expenses claim forms which the organisation should check before reimbursing the expenses. Receipts should back up these expenses where possible. It may be difficult for people to provide receipts for costs associated with caring responsibilities as the person providing the cover will usually be a friend, family member or other adult who the carer would normally trust to take over their responsibilities. However your organisations may want to draw up a claim form, which deals specifically with the reimbursement of caring expenses. The claim form should seek information on:

- The name, address and age of the person providing cover for the volunteer.
- Their relationship to the person in need of care.
- The amount of hours spent looking after the person.
- The amount of money paid to the person looking after the person in need of care.
- It should be signed by the person providing cover, by the volunteer and the volunteer involving organisation.

If an organisation follows good practice in the support and supervision of its volunteers and has a good relationship with its volunteers, it is reasonable for them to assume that when a volunteer fills in and signs an expenses claim form, that the expenses are legitimate.

Volunteer Expenses and Carers Allowance (CA)

Carers Allowance will not be affected so long as the volunteer continues to care for at least 35 hours per week.

Volunteer Now would like to thank Carers Northern Ireland for their assistance in drawing up this information about Carers.

Volunteers, Expenses and Taxation

Provided you follow the best practice previously outlined any expenses that your volunteers receive should not be subject to tax or National Insurance.

- If your organisation reimburses only genuine out of pocket expenses there is no tax liability. The expenses which the Inland Revenue allows to be reimbursed are:
 - travel to and from the place of volunteering
 - meals taken while volunteering
 - care of dependants, including children, during volunteering,
 - travel in the course of volunteering
 - cost of protective clothing necessary for volunteer role
 - cost phone calls, postage etc if volunteering from home

For example:

“A volunteer pays £2.50 on public transport to get to and from her volunteering. She volunteers over lunchtime and spends £3.50 on lunch. She pays a childminder £10 to look after her son while she volunteers. The organisation that she volunteers for reimburses her £16.00. There is no tax liability.”

The Inland Revenue advises that expenses should be reimbursed at a reasonable level. What is reasonable is open to a certain amount of interpretation. However it would not be considered reasonable, for example, for volunteers to have lunch at the most expensive restaurant in town every time they volunteered. Therefore it is good practice for organisations to set upper limits on things like lunch. For example if the upper limit for lunch is £5 this means that volunteers should be reimbursed the exact amount they have spent on lunch but it should be no more than £5.

Volunteers should be asked to complete an expenses claim form and to provide receipts or other proof of expenditure.

Payment of flat rate expenses

Some organisations pay volunteers a flat rate of £x per week to cover expenses regardless of what they have actually spent. Many organisations find this method simplifies administration procedures. However this is not encouraged by the Inland Revenue and can complicate matters.

- If you want to reimburse volunteers using flat rate payments you **must** discuss this with the Inland Revenue and obtain their permission to do so.
- Where an organisation pays a volunteer more than their actual out of pocket expenses the volunteer may move from non-tax payer to a taxpayer. Tax may be payable as an employee, someone who is self-employed or under a miscellaneous sweep up provision. In general volunteers in this category will be liable for tax on all personal expenses.

For Example:

“A volunteer pays £2.50 on public transport to get to and from her volunteering. She volunteers over lunchtime and spends £3.50 on lunch. She pays a childminder £10 to look after her son while she volunteers. The organisation gives the volunteer £20 to cover expenses and something extra as a thank you. Because there is a profit element the volunteer is liable for tax on the full £20.”

Volunteers, Expenses and The National Minimum Wage

The National Minimum Wage became law on 1st April 1999. **It does not apply to volunteers who are receiving reimbursement of actual out of pocket expenses based on receipts provided. For further information, go to <http://www.gov.uk/volunteering/pay-and-expenses>**

Volunteers who wish to donate their Volunteer Expenses as Gift Aid

Sometimes volunteers wish to donate their out of pocket expenses to the charity they are volunteering with rather than keeping them. It is perfectly legitimate for volunteers to do this as long as the guidelines set out by HMRC are adhered to. Below is a summary of the key information to be aware of. The full guidelines are available from the GOV.UK website and we also recommend you read these carefully <http://www.gov.uk/donating-to-charity/gift-aid>

Key Information

Eligibility Criteria

The donation must come from a UK Citizen who is also a UK Taxpayer and the organisation must have charitable status or be a Community Amateur Sports Club (CASC). Donors can use Gift Aid if the amount of Income Tax and/or Capital Gains Tax they've paid for the tax year in which they make their donation is at least equal to the amount of basic rate tax the charity or CASC and any other charities or CASCs they donate to will reclaim on their gift. A tax year runs from 6 April one year to 5 April the next.

Important Considerations

Their needs to be a clear **A-B-C trail** of a transaction for auditing purposes. This doesn't have to be through a bank account; if volunteer expenses are paid in cash, paper based receipts of the transactions is sufficient evidence. <http://www.gov.uk/claim-gift-aid/gift-aid-declarations>

A: Transaction Trail begins with charity or CASC;

B: Payment to Volunteer from charity or CASC;

C: Donation from Volunteer to charity or CASC.

In addition to having a trail of the transactions between the charity and volunteer / Gift Aid donor; HMRC require charities to ask donors to complete a Gift Aid Declaration form. Example declaration forms are available from the GOV.UK website.

A lot of charities do pay volunteer expenses into the volunteer's bank account. It is important to consider whether the gift aid itself is worth more than the administration cost of moving the monies between accounts. In some cases it may be better for the volunteer to wait and donate in one lump sum, maybe once or twice a year rather than processing a number of small transactions.

Specific queries can be dealt with through the HMRC Charities Helpline 0300 123 1073.

Reasonable precautions have been taken to ensure information in this publication is accurate. However it is not intended to be legally comprehensive; it is designed to provide guidance in good faith without accepting liability. If relevant, we therefore recommend you take appropriate professional advice before taking any action on the matters covered herein. Charity Registration No. NIC101309. Company Limited by Guarantee No. NI602399. Registered in Northern Ireland.