

NCVO volunteering information sheet

Volunteering expenses

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Summary

Although volunteering is unpaid, it shouldn't cost a volunteer anything either. That's why it's good practice to reimburse a volunteer for out of pocket expenses incurred in the course of their volunteering.

There are a number of legal and good practice issues to be aware of when reimbursing volunteers' expenses.

This Information Sheet is designed to help you consider:

- reasons to reimburse volunteer expenses
- which expenses should be reimbursed
- how to reimburse expenses.

Why reimburse expenses?

By ensuring that no volunteer is out-of-pocket due to their volunteering, a group or organisation will increase the potential number of volunteers that might support it.

Expecting volunteers to cover their own expenses could be a barrier to people with low incomes or little spare cash. Research by the Institute for Volunteering Research has shown that volunteers with lower incomes can often find it more difficult to afford to volunteer.

Not reimbursing expenses could also deter people who feel that they are already making a significant contribution of their time.

Refunding volunteer expenses is a legitimate cost associated with any volunteer programme or project and so groups and organisations should ensure that this is included in budgets for projects and in funding applications.

Which expenses should be reimbursed?

In general any reasonable expense incurred as part of the volunteering activity should be reimbursed. This includes but is not limited to

- travel, including to and from the place of volunteering;
- meals and refreshments;
- care of dependants, including children;
- equipment such as protective clothing; and
- administration costs such as postage, phone calls and stationery.

What is 'reasonable'?

Some expenses will be necessary and have a set cost, such as protective clothing and stationery. However, it may be worth considering buying these items centrally and distributing them to volunteers if possible.

For expenses such as meals and refreshments, it may be useful to set a limit. Many organisations do this so it's worth checking to see what others in your area do and to ensure that they reflect what local costs are in your area.

In all cases, it's important to insure volunteers are aware of the rules about expenses to insure they don't incur unnecessary costs. A volunteer expenses policy would outline what expenses you reimburse and any limits set by the organisation. This should be shared with volunteers when they are recruited and could be part of induction or a volunteer handbook if you have one.

How to reimburse expenses

The process of reimbursing expenses should be based on a single, simple principle: only reimburse actual out-of-pocket expenses. This means volunteers submitting receipts that show what they have had to spend as a volunteer that they otherwise wouldn't have.

Be volunteer friendly

- Be clear about what expenses will and won't be reimbursed. Be clear about limits on the amount that can be claimed for expenses such as meals.
- Try to reimburse expenses as soon as possible. Try and reimburse in cash or by bank transfer rather than by cheque as this can often be inconvenient and delay payment. Bear in mind that if you decide to reimburse by bank transfer you will need to ensure that you have a process in place to collect this information from volunteers and to retain it in line with data protection legislation ([further information on data protection](#)).
- It's okay to provide expenses payments in advance, as long as receipts are provided once the money has been spent and any remainder is returned. This can be particularly helpful for volunteers with a low income who may find it difficult to cover expenses upfront.
- If the group or organisation can only process expenses claimed within a certain timeframe after incurred it should ensure volunteers know this so they do not miss the deadline.
- Develop a simple expenses claim form. A sample can be found in the appendix of this information sheet.

Encourage volunteers to claim expenses

Some volunteers may feel that they do not need or even should not be offered expenses payments. However, ensuring everyone claims expenses helps a group or organisation to determine the full cost of a volunteer project. This will help in forecasting volunteer budgets and applying for appropriate funding. You may be able to reassure them that you have included reimbursing expenses as part of your planning and have accounted for that cost.

If a volunteer really doesn't want to have their expenses reimbursed it is possible to set up a scheme whereby they donate these unclaimed expenses back to the group or organisation along with [Gift Aid](#)¹. Guidance is available on [the HM Revenue and Customs \(HMRC\) website](#)².

¹ www.hmrc.gov.uk/individuals/giving/gift-aid.htm

² www.hmrc.gov.uk/charities/gift_aid/rules/vol-expenses.htm#1

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Do not pay a flat rate

Volunteers should not be paid a flat rate because

- this could lead to a volunteer receiving an amount over and above out-of-pocket expenses. This would be regarded as income by HMRC and would render the entire payment liable for tax, not just the portion above the actual expense
- it could affect payments if the volunteer is in receipt of state or other benefits and
- it could be regarded by an employment tribunal or similar body as contributing to the formation of a contract between the volunteer and the organisation, leading to a volunteer being granted the same rights as employees, including the national minimum wage.

There have been cases in which HMRC has decided that flat rate payments are earnings and demanded several years' tax be paid on them.

Dispensations

As some expenses are paid on a regular basis it is possible to arrange with HMRC to pay some volunteers a flat rate. This is called a [dispensation](#).

It will in general only be appropriate for long term regular volunteers whose expenses will not vary greatly.

Voluntary workers

Some full time volunteers can be legally defined as, 'voluntary workers' and with this status can claim a 'subsistence allowance' to cover basic living costs such as food, drink, laundry, basic toiletries, medicine, heating and lighting.

In order to claim a subsistence allowance they have to be in their role as a result of arrangements made between two not-for-profit organisations. It must be clear how the amount of subsistence was calculated, and it can't include payment for accommodation (although they can be provided with accommodation free of charge).

You can find more information about [voluntary workers](#) and the associated conditions on the HMRC website.

Honoraria

Some organisations try to avoid problems by referring to payments to volunteers as 'honoraria', a payment that is given in return for professional services that are provided without charge.

However, an honorarium is usually an unexpected, one-off payment made as an expression of

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thanks. Where an honorarium is paid regularly or expected, then it will usually count as earnings and be taxable. More information on [honorarium](#), and how tax regulation applies, is available from the HMRC.

How to reimburse specific types of expenses

Care

Care expenses may include those for children or adult dependents. As these costs may be significant a group or organisation should consider its policy on reimbursing them carefully.

In particular, the group or organisation would want to research care costs in the local area. It may wish to recommend a particular agency to its volunteers or set a limit on what will be reimbursed.

The group or organisation should also consider whether it will reimburse formal and informal care. Formal care includes registered centres and individuals, whilst informal includes babysitters and similar. It should be noted that some funding will only cover formal care.

Again, as care costs can be significant, it is important to discuss arrangements thoroughly with a potential volunteer.

Internet use

If a volunteer has to buy an Internet connection to carry out their role, that's clearly an expense and can be reimbursed. However, if they already have a connection and don't have to pay any additional costs there is nothing to reimburse. Where usage is itemised it can be reimbursed.

Telephones

If the volunteer already has a telephone calling plan and uses some of the included minutes in the course of their volunteering, but doesn't exceed those minutes, the volunteer has incurred no additional expense as a result of their volunteering so there is nothing to reimburse.

If the included minutes are exceeded and an additional cost is incurred by the volunteer, again only costs that are clearly a result of the volunteering should be reimbursed. So if the cost of the calls is itemised it can be reimbursed, but if they aren't itemised it's not possible to show that it was the calls related to the volunteering that took the volunteer over their included minutes.

Travel by public transport

It is reasonable to ask volunteers to travel by the cheapest form of public transport.

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If a volunteer is using an [Oyster](#)³ or similar pre-pay travel card they will need to request a receipt from a travel centre or print the details via an online system if available.

Volunteers should only be provided with season tickets if the cost is less than it would be over the same time period if they bought individual single or return tickets.

Travel by taxi

Groups and organisations should bear in mind that it may sometimes be necessary for volunteers to use taxis, particularly if they have a disability or work late or very early shifts.

Travel by personal vehicle

HMRC sets [approved mileage allowance payment rates](#)⁴ for the reimbursement of driving expenses. These are the maximum allowable payments free of tax and National Insurance Contributions.

As of 1 April 2011, the approved mileage allowance payments are

- cars: 45p per mile for the first 10,000 miles, 25p thereafter
- motorcycles: 24p
- bicycles: 20p.

These approved rates do not place an obligation on a group or organisation to reimburse expenses at those rates. They are simply the amount a volunteer can be reimbursed before the payments are liable for tax.

If a group or organisation agrees, a volunteer can be reimbursed for actual expenses incurred by retaining all receipts. In this case the volunteer would need to complete a Self Assessment tax return. Detailed instructions and examples can be found on the [HMRC website](#)⁵.

Passenger payments

As of 1 April 2011, volunteers can claim an additional 5p per mile for each passenger they carry in relation to their volunteering role. This includes, for example, clients of community transport schemes and patients being taken to hospital.

Again, a group or organisation is under no obligation to make this payment.

³ oyster.tfl.gov.uk/oyster/entry.do

⁴ www.hmrc.gov.uk/rates/travel.htm

⁵ www.hmrc.gov.uk/mileage/volunteer-drivers.htm

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