



## **PAYING VOLUNTEERS**

This article will present and overview on the payment of volunteers and implications.

Many not for profit organisations use and rely on volunteers, this includes those working from home, volunteer drivers and trustees. Payments made by organisations to volunteers are usually for work done and/or for payment of expenses.

If an individual provides services on a voluntary basis then any payment made to them may jeopardise their volunteer status. An individual becomes an employee if they are paid, even if the hours worked are irregular, part-time, or temporary. The amount paid is irrelevant for determining employee status, and, subject to The National Minimum Wage employees can be paid at a low rate.

) If volunteer status is lost, then the normal PAYE procedures apply and payments should be put through the payroll system. The normal starter procedures need to be adopted, if the individual has no other income and earns below the PAYE threshold then no tax or NIC will be payable. If the individual receives welfare benefits, or receives a pension (taken as "other employment") then problems can arise for the individual and the organisation.

) When it comes to expense payments the general rule is that employees should not profit. Volunteers are either reimbursed for the actual costs incurred or they are given a flat rate allowance. There is no problem in reimbursing volunteers for actual expenses incurred, however, it is essential (and a legal requirement) to maintain proper records to verify the level of payments and to whom they are made out to.

) As a general rule flat rate allowances are taxable and are treated as payments for work. If the allowances are small and reasonable then it may be possible to obtain an agreement with your local tax office to operate such a scheme, thereby saving administrative time.

) If volunteers operate from home then there will be no PAYE implications if they are reimbursed for actual expenses incurred, for example postage and phone call costs. If claims are being made for phone costs then it is important that a call log is kept, claims should only be allowed for calls made, and claiming for line rental should not be allowed since the volunteer would incur this anyway.

) Where volunteers use their private vehicle for the organisation then it is possible to reimburse them for their expenses on a mileage basis. If the mileage rate is too high then it may be considered that the volunteer driver is making a profit from driving, and therefore the whole amount becomes taxable. The Revenue, however, operate with some employers a simplified administrative arrangement known as the Approved Mileage Rate Scheme Rates under which an employee's taxable business mileage profit is determined by reference to engine size and the excess of the mileage allowance paid over the approved 'tax-free' rates.

) The impact of not correctly operating any aspect of PAYE is to pay over to HMRC tax that should have been paid, plus interest and any penalties. To help reduce the risk of non-compliance volunteers should only be reimbursed for actual expenses incurred, there should be expense claim forms, volunteer guidance notes, separate log made of trustee expenses, and a list of volunteers.

Please feel free to drop us a line if you need help or assistance.