

# Volunteer Drivers and Tax on Mileage Payments

This guidance is for volunteer drivers **who offer their services for an** organised volunteer car scheme. It tells you how to work out whether tax is due on any mileage or other allowances you receive towards the costs of running your car.

It is **not** for employees of the organisation or commercial operators such as taxi or mini cab operators, or people who run similar businesses, who receive mileage or other motor expenses from the organisation.

People who do charitable work do not usually have a contract of employment, so any reimbursement of their out-of pocket expenses is not liable for Income Tax or National Insurance contributions, and HM Revenue & Customs (HMRC) has accepted that generally allowances paid to volunteer drivers do no more than reimburse them for their actual expenses. Tax is only paid on any allowances received which exceed expenses and so result in a profit.

## **Will I have to pay tax on any mileage allowances I receive?**

You will have to pay tax only if the allowances you receive during the tax year come to more than the expenses you incur driving for the organisation: in other words, if you make a profit. A tax year runs from 6 April one year to 5 April the next. If you make a profit in the tax year, most people who pay Income Tax will only pay tax on their profit at the basic rate. If, for example, you make a profit in the tax year starting 6 April 2010, most people who pay Income Tax will only pay tax on their profit at the rate of 20p on every pound of profit.

## **Since I may have to pay tax on the profit element of my mileage allowances do I have to pay National Insurance contributions (NICs) on this profit as well?**

Volunteer driving is not a gainful employment for National Insurance purposes. Liability for Class 2 or Class 4 NICs does not arise on any profits made from volunteer driving. This guidance is **not** for commercial operators, such as a taxi or minicab drivers, who (unless they are employees and have tax and NICs deducted from their wages) must register as self-employed and, depending on their profits, may have to pay Class 2 and Class 4 NICs.

## **How much can I receive before I have to pay tax?**

The following table shows the tax-free mileage allowances you can receive in the tax year 2011-12 before you have to pay any tax.

On the first 10,000 miles in the tax year - 45p

On each mile over 10,000 miles in the tax year - 25p

So, if, for example, your organisation pays you more than 45p a mile and you drive 5,000 miles then you will make a profit on each mile driven and will have tax to pay. You are shown how to calculate the amount later in this guidance. However, if your organisation pays you 45p a mile (or less) and you drive 5,000 miles, then you will have no tax to pay.

This saves you having to keep details of your actual motoring expenses. You will need to keep a record of the number of miles you drive in a tax year for any organisation(s) and the mileage allowances you receive from them. If you have driven for two or more organisations in the year, then the 45p rate applies to the first 10,000 miles you have driven for all your organisations added together.

If you prefer to keep records of actual motoring expenses, and to claim your actual volunteer costs when calculating your profit, you may still do so. See [Example three](#).

The tax-free mileage allowances are intended to give tax relief for amounts that represent fair reimbursement for car use. They are also intended to be easy for individuals to use and to reflect wider environmental aims by encouraging the use of more efficient, lower emitting cars. The different rate of tax-free allowances over 10,000 miles a year reflects the fact that

some costs, such as road tax and insurance, do not increase with greater mileage. Others, such as depreciation, do increase, but not in line with increasing mileage. So the higher the total mileage, the lower the cost a mile of running a car and the greater the profit element becomes. The different rates of tax-free allowances above and below 10,000 miles take account of this.

### **Miles you can drive before tax is due**

As explained below, the tax-free mileage allowances change once you have travelled 10,000 miles. However, many organisations pay the same amount of mileage allowances, no matter how many miles a volunteer driver travels. Even if you drive more than 10,000 miles you may still not have made a profit. This is because, although the rate of allowances you receive may be more than the tax-free allowance for travel over 10,000 miles, you may receive less than the tax-free allowance for travel up to 10,000 miles. Below are some examples for 2011-12 where mileage rates do not result in a profit. [Example two](#) also shows how this works. First look at column A to find the figure which covers your total volunteer mileage for the year. For example, if you drive 11,500 miles in a year, look at the entry for 12,000 miles. Then, look across the line to the right to column B. If you are paid at 41p a mile or less, and do not exceed 12,000 miles in volunteer driving, you will not make a profit.

If your total mileage for 2011-12 is less than the following, there is no tax to pay if you receive less than the following pence a mile

A	B
10,000 miles or less	45p
12,000 miles	41p
14,000 miles	39p
16,000 miles	37p
18,000 miles	36p
20,000 miles	32p

However, if total mileage exceeds these limits, there could be a profit.

If you use the working sheet (see below) you will be able to calculate your profit.

### **How do I calculate any profit?**

The working sheet below will help you to calculate whether you have made a profit or not. Follow the steps shown after the working sheet. There are also two worked examples to show you how to use the sheet.

Working sheet

### **Mileage allowance paid Volunteer mileage Tax-free allowance Profit**

£	(1)	(4) × = £	£
.	(2)	(5) × = £	
.	(3) Total	(6) Total £	

#### **Step one**

Add up all the mileage allowance payments that you have received from the organisation(s) in the tax year and enter this in the first column.

#### **Step two**

Look at the mileage you have travelled for the organisation(s) in the tax year. Enter that mileage at (3) after Total in the second column. If this is less than 10,000 miles, enter the same figure at (1). If it is more than 10,000 miles, enter 10,000 miles at (1). At (2) enter the difference between 10,000 miles and the total mileage figure.

#### **Step three**

Look up the tax-free mileage allowance. If you travelled more than 10,000 miles you need both figures of the tax-free allowance. In the third column after (4), enter the tax-free allowance up to 10,000 miles, and after (5) enter the tax-free allowance for over 10,000 miles.

**Step four**

Multiply the figure at (4) by 10,000 and enter the result after '='. Multiply the figure at (5) by the figure at (2) and enter the result after '='. Add together both the amounts after '=' and enter the figure at (6) after Total in the third column.

**Step five**

Check the figure after (6) with the figure in the first column. If the figure in the first column is the smaller of the two, you have not made a profit and you should enter Nil in the fourth column. If the figure in the first column is the bigger figure, then deduct from it the amount at (6) Total and enter the difference in the fourth column. This is the profit you have made.

The following examples use the working sheet.

**Example one**

In 2011-12, that is, between 6 April 2011 and 5 April 2012 Richard drives 16,000 miles for a charity which pays 42p a mile. He, therefore, receives £6,720 from the charity (that is, 16,000 miles at 42p). The tax-free allowances for 2011-12 are; the first 10,000 miles at 45p a mile; and 25p a mile above 10,000 miles.

Mileage allowance paid	Volunteer mileage	Tax-free allowance	Profit
£6,720	(1)10,000	(4) 45p × 10,000 = £4,500	£720
.	(2)6,000	(5) 25p × 6,000 = £1,500	
.	(3) Total 16,000	(6) Total £6,000	

**Step one**

Richard enters the £6,720 mileage allowance payments received from the charity in the first column.

**Step two**

In the second column at (3) after Total; Richard enters his total mileage travelled for the charity of 16,000 miles. He then enters the figure of 10,000 at (1). At (2) he enters the difference between the 10,000 and the total mileage of 16,000, which is 6,000.

**Step three**

The tax-free allowance is 45p a mile for the first 10,000 miles. So Richard enters 45p in the third column after (4), and 25p, the tax-free allowance over 10,000 miles, after (5).

**Step four**

Richard multiplies the 45p figure at (4) by the 10,000 at (1) and enters the result of 4,500 after '='. He then multiplies the 25p figure at (5) by the 6,000 at (2) and enters the result of 1,500 after '='. Together the two amounts produce a figure of 6,000 to enter after Total at (6).

**Step five**

The figure of 6,720 in the first column is greater than the figure of 6,000 at (6) Total in the third column. Richard deducts 6,000 from 6,720 giving a profit figure of 720 to enter in the fourth column.

**What about interest on a loan to buy my car?**

If you are buying your car with a loan or on hire purchase, you can also deduct a proportion of the interest in working out your profit. Be careful to count only the interest included in hire purchase instalments. The interest that can be deducted is the proportion relating to your

volunteer driving. Calculate this by comparing the number of miles you have driven for the organisation with your total mileage for the year.

For example, in 2011-12 Richard paid interest of £75 on a loan to buy his car. He can deduct part of that amount from the profit figure of £720 (from example one). Richard drove 20,000 miles in the year, of which 16,000 were for the charity, so four-fifths ( $16,000/20,000$ ) of the interest can be deducted. Four-fifths of £75 is £60. Richard can deduct the £60 from the £720, which leaves a profit figure of £660.