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Guidance

# Check if you need to pay tax on mileage payments as a volunteer driver

Find out if you've made a profit on approved mileage allowance payments claimed as a volunteer driver and need to pay tax.

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If you're a volunteer driver, payment of your expenses is not usually liable for Income Tax. This is because expenses paid to you generally only repay the amount you've actually spent.

Tax is only charged on any payments you've received if you make a profit.

You do not need to pay National Insurance contributions on profits made from volunteer driving.

## Mileage allowances

Organisations can pay you mileage allowance payments up to certain tax-free limits

(<https://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-and-fuel-allowances/travel-mileage-and-fuel-rates-and-allowances>) when you use your own vehicle for volunteering.

The rates apply to the total number of miles you've driven, for all organisations you volunteer for.

If the organisations you volunteer for pay you more per mile than the approved rates, you may have made a profit and may need to pay tax on the excess amount.

You can calculate and report your profit using either:

- tax-free mileage allowances (the number of miles you've driven whilst volunteering, and the amount of mileage payments or other allowances you receive)
- expenses (the amount you spent on motoring, including for personal use, and the amount you spent volunteering)

## Work out your tax-free mileage allowance

If you drove 10,000 miles or less while volunteering, multiply the number of miles you drove by the higher rate mileage allowance (<https://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-and-fuel-allowances/travel-mileage-and-fuel-rates-and-allowances>).

If you drove over 10,000 miles while volunteering:

1. Multiply the first 10,000 miles by the higher rate mileage allowance.
2. Multiply the remaining miles by the lower rate mileage allowance (<https://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-and-fuel-allowances/travel-mileage-and-fuel-rates-and-allowances>).
3. Add these figures together.

## Work out if you've made a profit

If the total mileage allowance you received is equal to or less than the figure you calculated above, you do not need to pay tax on your mileage allowance.

If the total mileage allowance you received is more than the figure you calculated above, you've made a profit and may need to pay tax on the excess amount.

You may be able to reduce the amount of profit you've made by taking the following expenses, relating to your volunteer driving, into account:

- telephone costs (but not line rental)
- postage costs
- interest on a loan you used to buy your car
- interest on hire purchase payments for your car

The organisation you volunteer for might provide tables that help you work out if you've made a profit.

## If you pay interest on hire purchase payments or a loan used to buy your car

You can deduct the amount of interest you've paid in proportion to your volunteer driving. You can calculate this by comparing the number of miles you've driven when volunteering with your total mileage for the year.

Only count the interest included in your loan or hire purchase payments. The loan or hire purchase must be for the car you use when you're volunteering.

## If you have telephone and postage costs

You can deduct the amount you've spent on phone calls (but not line rental) and postage when volunteering, if they were not reimbursed.

## Passenger payments

If you transport passengers, you may receive passenger payments

(<https://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-and-fuel-allowances/travel-mileage-and-fuel-rates-and-allowances#passenger-payments---cars-and-vans>).

This is separate to mileage allowance and should not be included when you work out if you've made a profit from mileage allowance payments.

## Personal allowances

Depending on your other income, you may have allowances and reliefs (<https://www.gov.uk/income-tax-rates>) available to set against any profit you make.

## Send a tax return

If you've made a profit, you may need to complete a Self Assessment tax return (<https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>) and show any profit under 'Other UK income not included on supplementary pages'.

If this is the first time you're completing a return you'll need to register for Self Assessment (<https://www.gov.uk/government/publications/self-assessment-register-for-self-assessment-and-get-a-tax-return-sa1>) to get a Unique Taxpayer Reference (UTR). You must do this by 5 October of the tax year following the tax year in which you make the profit.

If you use the tax-free mileage allowances, the amount to include in your return is the profit you've calculated.

If you use your expense figures, report the amount left after all deductions.

## Records you must keep

You must keep records of your receipts for at least 2 years.

If you claimed tax-free mileage allowance payments, you only need records of the money you spent when volunteering and the number of miles you drove.

If you calculate your profit using expense figures, keep records of all expenses, and the number of miles travelled (both privately and when volunteering).

If you only claim for payments within the mileage allowance, and do not include any other expenses, you only need to keep a record of the number of miles driven when volunteering for that year.

Contact the HMRC Self Assessment Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment>) if you're not sure which records to keep.

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