

Volunteers and tax

This document describes the most recent information available from the Australian Taxation Office (ATO) publication *'Non-profit organisations and volunteers'* (2004). Volunteering Australia recommends organisations and volunteers contact the ATO directly for advice relating to the taxation rights and responsibilities of volunteers.

There is no legal definition of a volunteer for tax purposes.

Volunteering Australia defines formal volunteering as an activity which takes place through not for profit organisations or projects and is undertaken:

- to be of benefit to the community and the volunteer;
- of the volunteer's own free will and without coercion;
- for no financial payment; and
- in designated volunteer positions only.

If you engage in unpaid work that does not fit this definition you may wish to clarify your situation with the Australian Taxation Office (ATO).

Payments to Volunteers

Volunteering is generally unpaid, and entered into without the expectation of financial reward. However, occasionally payments are made to volunteers in the form of reimbursements, allowances and honoraria.

The ATO has outlined the difference between payments to volunteers and the financial remuneration paid employees receive. The term 'assessable income' is used to refer to income that is subject to tax.

A payment to a volunteer that is not assessable will have many of the following characteristics:

- *the payment is to meet expenses incurred or expected to be incurred*
- *the payment has no connection to the recipients income-producing activities or services rendered*
- *the payment is not received as remuneration or as a consequence of employment*
- *the payment is not relied upon or expected by the recipient for day to day living*

- *the payment is not legally required or expected*
- *there is no obligation on the part of the payer to make the payment;*
and
- *the payment is a token amount compared to the services provided or expenses incurred by the recipient*¹

The ATO has ruled on which types of volunteer payments will be treated as assessable income. The following section outlines the types of payments that are sometimes made to volunteers, and whether they are subject to income tax.

Honoraria

Honoraria are financial payments intended as honorary rewards for voluntary services.

Whether an honorarium is treated as assessable income depends on which of the following two categories best describe the circumstances of the payment.

- *an honorary reward for voluntary services, or*
- *a fee for professional services voluntarily rendered.*²

Honoraria are not generally considered assessable income unless they are received for professional services voluntarily rendered.

For example, an electrician who receives a \$200 honorarium for electrical services voluntarily rendered is required to declare this payment as assessable income.

Allowances

The ATO defines allowances as definite, predetermined payments intended to cover an anticipated expense. Allowances are paid regardless of how much the volunteer actually spends in the course of their volunteering activity.

Volunteering Australia does not endorse the use of allowances for volunteers because, where they are not tied to expenses actually incurred and vouched for, they are likely to be treated as assessable income by the tax office. By receiving payments that are not tied to specific expenses, volunteers are burdened with responsibilities to the ATO that they may not be aware of.

¹ Australian Taxation Office 2004, *Non-profit organisations and volunteers*

² As above

Reimbursements

The simplest way for volunteers to recoup out of pocket expenses is for the organisation they volunteer with to reimburse them directly. A reimbursement is a payment that covers the precise amount of expenses incurred by a volunteer.

Reimbursements are not treated as assessable income and are therefore not subject to income tax. Organisations should require volunteers to vouch expenses with receipts.

A payment is a reimbursement for tax purposes where the recipient is compensated exactly (meaning precisely, as opposed to approximately), whether wholly or partly, for an expense already incurred.³

Claiming income tax deductions

At present there are no provisions for volunteers to claim expenses as income tax deductions. The ATO is explicit in its advice in this respect:

Voluntary work is usually unpaid and, if an individual receives a payment in their capacity as a volunteer, it is generally not assessable income. Most expenses incurred in undertaking voluntary work are therefore not tax deductible.⁴

³ Australian Taxation Office 2004, *Non-profit organisations and volunteers*

⁴ As above

**For further information about volunteering and tax,
contact the Australian Taxation Office:**

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