

Taxation Factsheet 2 – Volunteers

Overview

This fact sheet has been developed to outline the tax implications of payments made to volunteers.

The difference between a volunteer and an employee

It is generally accepted that a volunteer is someone who does not work under a contractual arrangement for remuneration. Instead, a volunteer is someone who enters into any service of their own free will, or who offers to perform a service or undertaking.

On the other hand, an employee is an individual who:

- > is paid for time worked;
- > received paid leave (sick, annual or long service leave);
- > must perform the duties of their position;
- > agrees to provide their personal services; and
- > works hours set by an agreement or an award.

Payments to volunteers

Payments made to volunteers are sometimes described as honoraria, reimbursements, or allowances. Neither the name given to the payment, nor the amount of the payment, has any effect on the tax treatment of the transaction. Whether a payment is assessable income, in the hands of volunteers, will depend on the nature of the payment, and the volunteer's circumstances. The full facts surrounding both the payment and the recipient must be taken into consideration.

Difference between a Reimbursement and an Allowance

Characteristics of a reimbursement:

- > The payer considers the expense to be their own and the recipient incurs the expense on behalf of the payer.
- > The recipient may be required to vouch expenses (provide receipts), and
- > The recipient may be required to refund unexpended amounts.

An allowance is when a recipient is paid a definite predetermined amount to cover an estimated expense. It is paid even if the recipient does not choose to spend the whole amount.

Tax Implications of an Allowance

If a volunteer receives an allowance, with no regard to expenses actually incurred, and with no requirement to repay unspent monies, it may be treated as assessable income in the hands of the volunteer.

Goods & Services Tax (GST) input tax credits cannot be claimed on allowances paid to volunteers. For example, if a volunteer is provided with an annual allowance to assist with petrol costs, then the entity is not entitled to claim GST input tax credits on petrol purchased from that allowance.

Tax Implications of a Reimbursement

Where a volunteer incurs expenses while carrying out the organisation's activities, and is reimbursed by the organisation, the reimbursement will not be assessable income of the volunteer IF:

- > payment does no more than reimburse the volunteer for expenses already incurred; and
- > the payment is not for a supply made in the course of conducting a business by the volunteer.

The entity can claim GST input tax credits on reimbursements to volunteers if:

- > they are an Australian Taxation Office (ATO) endorsed gift-deductible entity;
- > are registered for GST;
- > the purchase includes GST; and
- > they hold the appropriate documentation to claim the input tax credit (e.g. a compliant tax invoice).

For example, if you reimburse a volunteer for petrol costs associated with carrying out the organisation's activities (and it meets the above requirements), and the volunteer is able to vouch these expenses, then GST input tax credits can be claimed on the reimbursements.

Claims for GST input tax credits on volunteer purchases

If the organisation is an endorsed charity, a gift-deductible entity or a government school, the volunteer purchase includes GST, and there is appropriate documentation to claim the input tax credit (e.g. compliant tax invoice), the GST can be claimed back from the ATO.

This means all LHNs and SAAS are able to claim GST on reimbursements made to volunteers, provided valid tax invoices are available. However, the Department for Health and Ageing will not be entitled to claim back GST on its volunteer reimbursements.

HOWEVER, where entertainment is provided to volunteers, SA Health cannot claim the GST included in the cost of entertainment. Any food or drink provided in a social setting, such as dinners, parties and social functions, will constitute entertainment.

Fringe Benefit Tax liability on benefits provided to volunteers

Under the Fringe Benefit Tax (FBT) legislation, an employee is a person who receives (or is entitled to receive) salary or wages, or a benefit that has been provided in respect of their employment. FBT must only be paid on benefits provided to employees, or to their associates (e.g. spouse, child, etc.). As a volunteer is not an employee, any benefits provided will not attract FBT.

Withholding Pay As You Go (PAYG) from a payment made to a volunteer

In general, payments to volunteers are not subject to PAYG. However, PAYG may be required to be withheld where the payment is for a supply of goods or services made in the course of an enterprise carried on by the volunteer, and the volunteer has not quoted their Australian Business Number.

PAYG should not be withheld if:

- > the total payment to the volunteer is \$75, or less, excluding GST: or
- > the volunteer is an individual under 18 and you do not pay the volunteer more than \$120 per week; or
- > the supply is wholly input taxed under GST; or
- > the volunteer has provided a statement by supplier.

More Information

[NAT 4612 Volunteers and Tax](#)

Or contact Taxation Services: email: HealthTaxHelpdesk@sa.gov.au, or phone 84636776.

Important Disclaimer

The information contained in this fact sheet is intended only as a general guide and only for the purposes of SA Health. It should not be regarded as advice and should not be relied upon by any other party. No responsibility whatsoever is taken should another party seek to rely on the information contained herein. Professional taxation advice should be sought.