

Volunteers and Tax

There is no legal definition of a volunteer for tax purposes. A volunteer does not work under a contractual obligation for remuneration and is not considered an employee or independent contractor.

Volunteering Australia defines volunteering as time willingly given for the common good and without financial gain.

If you engage in unpaid work that does not fit the above definition of volunteering, you may wish to clarify your situation with the Australian Tax office (ATO).

Payments to Volunteers

Volunteering is an activity undertaken without financial gain. It is unpaid and entered into without the expectation of financial reward. However, volunteers may receive reimbursement, allowance or honoraria in line with the following:

- Volunteers can seek reimbursement for out-of-pocket expenses incurred as a result of their participation in volunteering. Volunteering Australia recommends clarifying what out of pocket expenses will be reimbursed prior to incurring them, as organisation's are not legally obligated to provide reimbursements.
- Volunteers can be rewarded and recognised as part of good practice. While this process may introduce an element of financial or material benefit to the volunteer it does not exclude the activity from being considered volunteering. Any such rewards should be commensurate with the volunteer's contribution.
- Volunteers may receive an honorarium, stipend or similar payment as recognition for voluntary services or professional services voluntarily rendered, in accordance with Australian Taxation Office rulings. Based on the nature of such payments and the recipient's circumstances, the receipt of this type of payment does not preclude the person from being considered a volunteer.

According to the ATO, generally:

- Volunteers do not have to pay tax on payments or benefits they receive in their capacity as volunteers.
- Not-for-profit organisations are not liable for pay as you go (PAYG) withholding and fringe benefits tax (FBT) on payments they make, or benefits they provide, to volunteers¹.

Reimbursement of Out-of-Pocket Expenses

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

An expense that could be reimbursed may include stationery for the workplace, or tea and coffee items. Generally, an expense should be pre-approved before purchasing, and a volunteer is required to provide a receipt or tax invoice for record-keeping.

Reimbursements are not treated as assessable income and are therefore not subject to income tax.

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 suggest 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 tax by the tax office. By receiving payments that are not tied to specific expenses, volunteers may be burdened with responsibilities to the ATO that they may not be aware of.

Honorariums

Honorariums are defined as financial or property 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 describes the circumstances of the payment:

- An honorary reward for voluntary services, or
- A fee for professional services voluntarily performedⁱⁱ

Honorariums are not generally considered assessable income unless they are received for professional services voluntarily performed. However, a significant honorarium or multiple honorariums over a tax year may push a volunteer over the tax-free threshold.

Volunteering Australia recommends that organisations are cautious of providing honorariums as they may attract volunteer's with the wrong motivations.

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.

For further information about volunteering and tax, contact the ATO:

- For individuals: 13 28 61
- For businesses: 1300 130 248