



Monthly Information Newsletter – Tax & Super

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Tax issues when dealing with volunteers

From bushfire relief groups, sporting clubs, environmental groups, charity associations and many more, volunteers are an indispensable workforce and support network for many organisations. For most, if not all, having volunteers ready to lend a hand is pivotal in them being able to function or survive.

Given that there are many hundreds of volunteers propping up all sorts of good works throughout the nation, and in the spirit of thorough tax planning, an important practical consideration for many may be if payments to volunteers constitute assessable income and whether their expenses are tax deductible.

What's a volunteer?

There is no common law definition of “volunteer” for tax purposes, although it typically means someone who enters into any service of their own free will, or who offers to perform a service or undertaking. A genuine volunteer does not work under a contractual obligation for remuneration and would not be an employee or an independent contractor.

Volunteers can be paid in cash, given non-cash benefits or a combination of both – payments include honorariums, reimbursements and allowances. Generally, receipts which are earned, expected, relied upon and have an element of periodicity, recurrence or regularity are treated as assessable income.

Conversely, where a person's activities are a pastime or hobby – rather than income producing – money and other benefits received from those activities are generally not perceived as assessable income.

The examples below shed light on whether typical payments such as honorariums, reimbursements and allowances constitute assessable income.

Is an honorarium assessable income?

An honorarium is either an honorary reward for voluntary services, or a fee for professional services voluntarily rendered, and can be paid in money or property.

Example 1: Q. Alex works as a computer programmer at the local city council and volunteers as a referee for the local rugby union. This year he organised an accreditation course for new referees. He applied for a grant, arranged advertising, assembled course materials, and booked venues. Michael is awarded an honorarium of \$100 for his efforts.

A. No, the honorarium is not assessable income as honorary rewards for voluntary services are not assessable as income and related expenses are not deductible.

Example 2: Q. Mindy has a graphic design business and volunteers at the local art gallery. Mindy prepares the gallery's annual report using her business's software and equipment. At the gallery's annual general meeting, Mindy is awarded an honorarium of \$800 in appreciation of her services.

A. Yes, this honorarium constitutes assessable income because it is a reward for services connected to her income-producing activities.

Is a reimbursement assessable income?

A reimbursement is precise compensation, in part or full, for an expense already incurred, even if the expense has not yet been paid. A payment is more likely to be a reimbursement where the recipient is required to substantiate expenses and/or refund unspent amounts.

Example 3: Q. Matthew is an electrical contractor. He volunteers to mow the yard of a local not-for-profit childcare centre. Matthew purchases a \$15 spare part for the centre's mower. The childcare centre reimburses Matthew for the cost of the spare part.

A. No, the \$15 reimbursement is not assessable income because Matthew has not made the payment in the course of his enterprise as an electrician.

Example 4: Q. Rose is a gardener. She volunteers to prune the shrubs of a local nursing home and uses materials from her business's trading stock.

A. Yes, any reimbursement she receives for the cost of the materials is assessable income because the supplies were made in the course of her enterprise.

Is an allowance assessable income?

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

Example 5: Q. Andy volunteers as a telephone counsellor for a crisis centre. He is rostered on night shifts during the week and is occasionally called in on weekends. When Andy works weekends, the centre pays him an allowance of \$150. The allowance is paid to acknowledge Andy's extra efforts and to compensate him for additional costs incurred.

A: Yes, these payments to Andy are considered assessable income because he received the allowance with no regard to actual expenses and there is no requirement to repay unspent money.

Expenses incurred by volunteers

On the tax deductibility of volunteer expenses, a volunteer may be entitled to claim expenses incurred in gaining or producing assessable income – except where the expenses are of a capital, private or domestic nature.

For instance, expenditure on items such as travel, uniforms or safety equipment could be deductible, but expenses incurred for private and income-producing purposes must be apportioned – with only the income-producing portion of the expense being tax deductible.

Example 6: Q. Robert operates a commercial fishing trawler and uses navigational charts in his business. He also volunteers as an unpaid training officer at the volunteer coastguard. Robert purchases two identical sets of navigational charts – one for his business, the other as a training aid in coastguard courses.

A. Yes, Robert can claim the part incurred in gaining or producing assessable income – in this case, half the total cost.

What about donations? Are these deductible?

It is also common for volunteers to donate money, goods and time to not-for-profit organisations. To be tax deductible, a gift must comply with relevant gift conditions, and:

- be made voluntarily
- be made to a deductible gift recipient, and
- be in the form of money (\$2 or more) or certain types of property.

Donors can claim deductions for most, but not all, gifts they make to registered deductible gift recipients. For instance, a gift of a service, including a volunteer's time, is not deductible as no money or property is transferred to the deductible gift recipient. However, individuals may be entitled to a tax deduction for contributions made at fundraising events, including dinners and charity auctions.

Example 7: Mila buys a clock at a charity auction for \$200. This is not a gift even if Mila has paid a lot more than the value of the clock. Payments that are not gifts include those to school building funds as an alternative to an increase in school fees and purchases of raffle or art union tickets, chocolates and pens.

Example 8: Clive receives a lapel badge for his donation to a deductible gift recipient. As the lapel badge is not a material benefit or an advantage, the donation is a gift.

Consult this office for more information on which volunteer payments are considered assessable income and which expenses are typically tax deductible.

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