

Payments to volunteers

From 1 April 2009, the rules for taxing payments to volunteers have been clarified.

Who is a volunteer?

A volunteer is someone who freely undertakes an activity in New Zealand:

- chosen either by themselves or by a group of which they are a member
- which benefits others without benefiting themselves financially.

Can you pay a volunteer?

A volunteer may receive two types of payment:

- reimbursements for expenses
- honoraria for services.

When can someone receive reimbursement?

Reimbursements can be for:

- actual expenditure
- based on a reasonable estimate of expenditure likely to be incurred.

Any reimbursement must be for expenses incurred when undertaking or when travelling to and from a voluntary activity. The reimbursement may be in a non-cash form, for example as petrol or meal vouchers.

Are reimbursements taxed?

Reimbursement payments are tax exempt income of the volunteer and so not taxed.

What is an honorarium?

Honoraria are payments made for services provided where no fixed payment would normally be made and are less than market rate. They are treated as schedular payments for tax purposes.

This means:

- PAYE rules apply
- payments are taxed at the specified flat rate of 33 cents in the dollar.

What is a schedular payment?

Schedular payments are listed payments made to someone who provides a service but is not an employee. Tax must be withheld from them at a specified flat rate.

What happens if someone gets both an honorarium and a reimbursement? Are they taxed?

Where the payment is a combination of an honorarium and a reimbursement of expenses incurred, and the honorarium and the reimbursement portions are clearly identified and recorded, the honorarium will be taxable and the reimbursement will be exempt.

Where the distinction between the honorarium and the reimbursement is not clear then the entire payment is treated as an honorarium, subject to tax as a schedular payment.