

Payments to Volunteers – Honorariums, Allowances & Reimbursements

This document has been created to provide Clubs with a summary of the rules regarding payment to volunteers and is not intended as an exhaustive list of everything that may be applicable.

A volunteer is someone who:

- Does work for the main purpose of benefiting someone else;
- Is under no obligation to attend work and does not expect to be paid, or is entitled to be paid for their work; and
- Does not intend to create a legally binding employment relationship with the organisation they are working for.

It can be helpful for a Club to have a written volunteer agreement in place so that the terms of the relationship and intent to not create an employment relationship are clear. Clubs SA has a template agreement available in [Members Only](#) - WR - PAID & VOLUNTARY WORKER MANAGEMENT TOOLS of the Clubs SA website.

Volunteer or Employee?

Should a Club engage a “volunteer” but then proceed to pay them for their work, this is likely to indicate an “employment” relationship and risks the Club being liable for a number of potential claims including underpayments, workers compensation, tax breaches etc. Where someone receives payments that are linked to hours worked, or for the completion of specified tasks then this is also evidence of an employment relationship.

Can a Volunteer be Paid?

Generally the answer is “no”. A volunteer is someone who freely elects to give their time to take part in an organisation or to undertake a task and does so without an expectation or entitlement to be paid.

There are however some instances where a volunteer can receive payments, **although the payments must be made in the proper manner and not be used as an attempt to disguise wages or salaries.**

These are:

- Honorariums
- Reimbursements for expenses
- Allowances

Honorariums

An honorarium is a one off payment made to someone who is not legally entitled to payment for their work, as an honorary reward for voluntary services, or a fee for professional services voluntarily performed.

Club must not pay volunteers honorariums as a means to avoid paying a wages to an employee.

An honorarium could be viewed as being a wage or salary where payment of honorariums are being calculated with reference to hours worked and they are being paid on a regular or somewhat regular basis.

When a Club is considering paying an honorarium to a volunteer, they should firstly consider if this is provided under their rules. A Club then needs to consider how others may perceive this. For example, will it be viewed as favouritism if the Club is only paying it to one volunteer and not to others who have carry out similar work?

A Club needs to consider how much they will pay as an honorarium, with any amount paid being a one off payment, (even if paid in instalments), taking into consideration the services they have provided, the finances of the Club etc.

Tax on Honorariums

Clubs need to be aware that in some instances an honorarium could be construed as assessable income by the Australian Tax Office (**ATO**).

What will determine whether or not an honorarium is taxable income is the nature of the payment and the individual circumstances of the volunteer receiving it:

- Where an honorarium is paid generally for voluntary services rendered then it is not assessable income and related expenses are not deductible;
- Where the honorarium is given for professional services voluntarily provided then it will be considered as assessable income of the volunteer. In this situation, they may be entitled to a deduction for expenses incurred in performing these professional services.

The ATO has provided two examples below which can be found [here](#):

Honorarium – not assessable income

Michael 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. The honorarium is not assessable income¹.

¹ Australian Taxation Office, *Honorariums*, (Web Page, 12 December 2017) <<https://www.ato.gov.au/Non-profit/Your-workers/Your-volunteers/Paying-volunteers/Honorariums/>>

Honorarium –assessable income

Judy has a graphic design business and volunteers at the local art gallery. Judy prepares the gallery's annual report using her business's software and equipment. At the gallery's annual general meeting, Judy is awarded an honorarium of \$800 in appreciation of her services. This honorarium will be assessable income to Judy because it is a reward for services connected to her income-producing activities².

Allowances

An allowance is where a volunteer is paid a specific, predetermined amount in order to cover an anticipated expense, even if they don't end up spending the whole amount although if this occurs any excess should be paid back. An example of this is where a volunteer is required to purchase some food supplies for a Club function and are given a predetermined amount to cover the costs.

As mentioned in the paragraph above another sign that is indicative of a genuine allowance is where a volunteer is paid a lump sum to cover any foreseeable expenses and then is required to repay any amount that was not used.

As with honorariums, a Club should not be making regular payments of allowances to a volunteer that appears to be consistent with wages. Allowances should only be paid where a Club knows there will be a predetermined expense that the volunteer will incur in undertaking their role and specify any excess needs to be repaid.

Tax on Allowances

Where a volunteer receives an allowance that is not made in regards to actual expenses that they will incur and they are not required to repay any amounts they don't spend then this can be treated as assessable income.

Further information on this can be viewed [here](#).

Example of where an Allowance would be Assessable Income

An allowance would be viewed as assessable income where someone volunteers behind the bar at a Club and whenever they work weekends they are paid a \$100 allowance. This amount is to compensate for any additional costs but also due to having to work on the weekend. As they are not required to repay anything that they have not spent and it is being given at least partly to compensate for working weekends, rather than to cover expenses, it is assessable income. This will also risk being viewed as wages.

Reimbursements

Reimbursements are where a volunteer has incurred expenses on behalf of the Club and is paid back all or part of this expense.

² Ibid

Where reimbursements are paid to a volunteer, these should only be limited to cover the out of pocket expenses they have incurred and should not extend beyond this to also be general payments for their voluntary services.

Where a volunteer is seeking to be reimbursed, a Club should require receipts in order to be able to accurately assess how much is needed to be paid to them.

To assist with deciding when reimbursements are to be made, a Club could consider having a reimbursement policy which will outline when a volunteer can be reimbursed and could include such things as:

- Specifying when a reimbursement is paid e.g. when the volunteer incurs out-of-pocket expenses whilst undertaking authorised activities on behalf of the Club
- That any reimbursement will be paid only with prior approval and presentation of a receipt
- Providing specific examples of where reimbursement will be paid e.g. they may be reimbursed for any costs of public transport to get to and from approved meetings

Tax on Reimbursements

Where a volunteer is reimbursed for use of their own assets or for paying for something on behalf of their Club, then this will not be assessable income provided that:

- The volunteer is not reimbursed for any more than the expenses they actually incurred; and
- It is not for a supply that was made in the course of the volunteer's enterprise (that being their business).

Further information on this can be viewed [here](#).

A not-for profit licensed Club will not be able to claim GST credits on any reimbursements made to a volunteer.

Examples of where a Reimbursement would and would not be Assessable Income

A genuine reimbursement that would not require it to be taxable income is where a volunteer who works day to day as a plumber, purchases some gas tanks to be able to operate the Club BBQ at a function and is reimbursed for the expense.

In contrast, a situation where it will be assessable income is if the same volunteer does some plumbing work for the Club and uses materials from his business to do the work. Any reimbursements he receives for the material costs will be assessable income as it is a supply made in the course of their enterprise.

Further assistance

Please contact Clubs SA on 8290 2200 for further advice if you are still unsure if any payments made to volunteers are legal.