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Volunteer payments and expenses



While volunteers do not receive a salary or wage for their contribution they can still receive cash (or gifts) as payments or benefits. Volunteers may also be reimbursed for their out-of-pocket expenses or receive an allowance to cover any expenses, e.g. meals or petrol.

Payments of gifts, honoraria, reimbursements or allowances show that your organisation appreciates the work of its volunteers and treats their contributions seriously.

This article discusses some of the types of financial payments, benefits and rewards that volunteer-based organisations may provide for their volunteers and some of the tax implications for these.

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Gifts and honoraria

Many organisations choose to give gifts or cash as a reward, incentive or to simply thank volunteers for their contribution. And, why not? Volunteers are an invaluable part of many community organisations.

These sorts of payments are typically ad hoc and not something that a volunteer expects or demands. Given this, payments to volunteers are not treated as taxable income, i.e. a volunteer does not need to pay tax on the

money or benefits that they receive.

According to the Australian Tax Office, a payments to volunteers that are not assessable income will have some of the following characteristics:

- It meets incurred or anticipated expenses
- It is not related to the volunteer's income-producing services or activities
- It is not received as remuneration or as a consequence of employment
- The volunteer does not rely on the payment for day-to-day living
- The payment is not legally required or expected
- The organisation paying the volunteer is not obliged to make the payment
- The payment is token in comparison to the volunteer services provided

The amount of money given to a volunteer or how much a gift is worth does not in itself affect whether they payment is assessable income. The amount of the payment needs to be seen in the context of the volunteer's overall services and contribution.

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Reimbursements

Some volunteer organisations have a very clear reimbursement policy for repaying volunteers in full or in part for certain out-of-pocket expenses that they incur while undertaking their volunteering duties. These reimbursements typically cover things like petrol, meals, telephone charges or parking. Reimbursing volunteers for their out-of-pocket expenses is yet one further way to show an organisation's appreciation for their volunteers' efforts and contribution.

If an organisation reimburses a volunteer for out-of-pocket expenses the reimbursement is not considered to be part of the volunteer's assessable income as long as the payment:

- is only a reimbursement for expenses actually incurred and,
- is not for the supply of products or services that are part of the volunteer's enterprise e.g. for electrical services if the volunteer is an electrician.

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Tax deductions for volunteers

According to the Australian Tax Office, because volunteer work is by its nature unpaid and payments to volunteers are not seen as part of their assessable income, then any expenses incurred by volunteers in the course of volunteering are not tax deductible.

But if some of a volunteers expenses are incurred as a result of them providing a service that is part of their usual enterprise, e.g. for photocopy repairs when the volunteer is a photocopy repairperson, then this portion of their expenses is tax deductible.

If a volunteer donates money to their volunteer organisation (and that organisation is a deductible gift recipient) then this is tax deductible. However, if the volunteer donates in-kind services instead of money then this is generally not tax deductible.

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Tools and resources

[Australian Tax Office - Expenses incurred by volunteers](#)

This guide explains the tax treatment of volunteer expenses and donations.

[Australian Tax Office - Payments to volunteers](#)

This guide explains the tax treatment of volunteer payments including honoraria, reimbursements and allowances.

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Legal responsibilities

Under both the *Associations Incorporation Act 1981* and *Corporations Act 2001*, committee/board members are prohibited from improperly using their position, or information gained from their position, to gain advantage (financially or other) or cause detriment to the organisation.

A conflict of interest arises when a person, who has a duty to act in the best interests of another, is presented with the opportunity or potential to 'use' that position in some way for their own personal benefit (or for the benefit of friends, relatives or another organisation).

Conflicts of interest are common, particularly in small communities or specialised sectors where everyone knows each other and people wear several 'hats' in different committees. Conflicts of interest are **not** illegal. But you do have a legal duty to disclose and manage conflicts of interest.

In the event of a conflict of interest, committee/board members must:

- Declare any conflict of interest – if in doubt, treat as a potential conflict
- Leave the discussion or room
- Refrain from voting
- Ensure that the declaration of conflict and removal from discussion and voting was marked in the minutes

Victorian incorporated associations must include a list of conflicts of interest where board members declared a financial interest in relation to any contracts the association was entering. This is presented to members at the Annual General Meeting.

Common examples of possible conflicts on interest include:

- Your board deciding to hire a friend or relative
- Rewarding a prize to a friend or relative
- Signing a contract with a business that is owned by a friend or family member
- Being on two boards that regularly apply for the same grants and projects.

Remember conflicts of interest are not immediately illegal. Legal issues arise when they are not disclosed and dealt with appropriately. It is better to lean on the side of caution, as the perception of conflicts of interest can also be damaging to a non-profit organisation.