

Honoraria and Payments to Volunteers, Cleaners and Gardeners

The IRD has issued some recent clear guidance in respect of honoraria, koha and payment to volunteers. This affects the tax treatment of payments made to volunteers such as parishioners or retired priests.

What is the definition of a volunteer?

For these payments, a volunteer is defined as a person who freely undertakes an activity in New Zealand:

- that is chosen either by themselves or by a group they are a member of, and
- that provides a benefit to a community or another person, and
- there is no purpose or intention of private financial profit for the person.

Payments to volunteers

Volunteers may either:

- be reimbursed for any expenses they have from their voluntary activities, or
- receive an honoraria for their services.

Reimbursing volunteers

Volunteers often incur expenditure associated with their voluntary activities. This could be from the activity itself or their travel to or from the activity. Reimbursement payments are treated as tax-exempt income for the individual if they are based on:

- actual expenditure, or
- a reasonable estimate of the likely cost, where an organisation;
 - reimburses for the expense before the activity, or
 - when the actual expenditure can't be determined and the reimbursement is based on a reasonable estimate of the likely cost.

Honoraria

Honoraria are payments made for services provided where no fixed payment would normally be made. If you are paying honoraria to:

- an employee, the payment must be included in the payroll and PAYE charged.
- someone who is not an employee, the payment is taxed at a flat rate.

If your ministry unit is paying honoraria to visiting priests, guest lecturers, and other volunteers and if these payments are not reimbursements of expenses, IRD guidance states that they should be taxed.

Payments to cleaners and gardeners

Cleaners and gardeners are occupations specifically identified by the IRD as needing to be taxed at source. This applies to individuals and sole traders whether they are GST registered or not.

If your ministry unit is making payments to cleaners and gardeners without deducting tax at source, please contact your ministry unit accountant and they will take you through the documentation required from your cleaners and/or gardeners.