



**National Council of  
Women of New Zealand**

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Wahine O Aotearoa

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**Submission to the Policy Advice Division of the Inland Revenue Department  
on the Tax Treatment of Honoraria and Reimbursements Paid to Volunteers**

NCWNZ is an umbrella organisation representing 47 Nationally Organised Societies and National Members. It has 28 Branches throughout the country attended by representatives of those societies and some 150 other societies. It also has three satellite groups and three regional consultation groups. NCWNZ is representative of approximately 350,000 women, via its affiliated bodies. The Council's functions are to serve women, the family and the community at local, national and international levels through research, study, discussion and action. NCWNZ welcomes the opportunity to consider this Consultation Document. This response has been prepared by the Economics Standing Committee, based on membership input and existing NCWNZ Policy

**General Statement**

In 1978 NCWNZ requested that the Government be asked to examine the best means of assisting all aspects of voluntary organisations involved in social, community and recreational services (Policy 2.13.2). With women playing a major role in the volunteer sector this organisation takes a keen interest in all legislation affecting those involved. Consequently we appreciate the opportunity to examine the options outlined in the Inland Revenue document, '*The tax treatment of honoraria and reimbursement paid to volunteers*'. Hence our response to selected submission points found on pages 9 and 10.

"The aim is to make the law relating to those types of payment clear and simple to apply," states a New Zealand Government media release on 1 November 2007. NCWNZ agrees that this is essential, especially given the Government's intention to actively 'encourage a culture of giving and greater recognition of the contribution to society made by volunteers'. (page 1 of the document)

**Submission points**

**Defining the nature of volunteer**

A definition of voluntary activity is essential both for the guidance of registered charities and those interpreting the law for the Department of Inland Revenue. NCWNZ agrees that both formal and informal volunteering should be recognised as being service activities that are unpaid but deserving of reimbursement for out of pocket expenses.

**Treatment of reimbursement payments**

Members are of the view that all reimbursement payment should be treated as exempt income, for the sake of fairness and simplicity. Expenses vary amongst volunteers, depending upon circumstances. After all, reimbursements are to re-pay or pre-pay volunteers for out-goings from their own income.





For practical purposes and to avoid doubt, all organisations should have policy which defines precisely what costs will be reimbursed on presentation of appropriate paperwork, e.g. quotes, receipts, vehicle log book. This protects both the volunteer and the organisation.

NCWNZ believes a cap on a threshold of costs is not appropriate as this could impede the activity of an organisation and limit volunteer availability.

### **Treatment of honoraria paid to volunteers**

Honoraria adds to someone's income and should be taxed accordingly but not classified as secondary income if compliance costs are to be minimised. Usually an honorarium is little more than a token payment, disbursed annually therefore should not be combined with any reimbursement for costs payment. Again the amount decided upon for honoraria should be the prerogative of the relevant voluntary organisation through their policy decisions.

In the interest of simplicity members believe there should be no withholding tax requirement.

### **Other matters**

As in the business world reimbursement for travel costs should be the decision of the relevant organisation and reflect the reality of their situation. A rural volunteer fire-fighter or ambulance driver for instance may need to travel a considerable distance to assist in an emergency or turn up for regular training. Large out of pocket expenses could be a disincentive to offer volunteer services and diminish a community's viability.

The volunteer may also have to be absent for their place of employment for a considerable length of time, placing a strain on small businesses in small communities. There was a suggestion that employers may be treated the same was as when employees attend jury service.

As for the tax code declarations varying for volunteers, there should be no application of withholding tax for reasons given above.

NCWNZ assumes that any changes to tax law affecting volunteers would be initially assessed by the Charities Commission who, in collaboration with the Department of Inland Revenue, would advise the relevant organisation. There could also be public education through advertising and current affairs programmes as well as web site information being freely accessible.

### **Concluding Comment**

Although difficult to assess accurately, members believe that the work of volunteers saves the tax payer a considerable amount therefore appropriate that reimbursements and honoraria to volunteers be administered as simply as possible with compliance kept to the absolute minimum.

Thank you for the opportunity to comment upon this complex but very important issue.

A handwritten signature in black ink, appearing to read 'C Low', written in a cursive style.

Christine Low  
**National President**

Heather M Smith  
**Economic Standing Committee Convener**