

To: Deputy Commissioner  
Policy Advice Division  
Inland Revenue Department  
P O Box 2198  
WELLINGTON

**Submission on the**

***Taxation of Reimbursement Payments and Honoraria***

From

**Social Services Waikato  
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Hamilton**

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## **Background**

Social Services Waikato is a voluntary organisation engaged in capacity building, information and advocacy and networking with hundreds of tangata whenua, community and voluntary organisations in the greater Waikato region.

Last year we put in a submission on the Tax Incentives for Giving to Charities discussion document.

This submission from Social Services Waikato follows the same reasoning as the submissions from Volunteering NZ and the NZ Federation of Voluntary Welfare Organisations.

As an executive committee member of the NZ Federation of Voluntary Welfare Organisations (NZFVWO) I have been part of the discussions on this paper and agree that the issues are more complex than they first appear and any decisions could impact on the social capital of our society.

## **Executive Summary**

Our submission follows the submission of the NZ Federation of Voluntary Welfare Organisations submission and in summary we recommend that:

1. Any definition of volunteer be as inclusive as possible and take into consideration both formal and informal volunteering.
2. All reimbursements for expenses incurred in carrying out voluntary unpaid activities should be exempt from tax.
3. There should be no cap on payments based on documented actual expenses.
4. Honoraria should be separate from the reimbursement of expenses incurred in volunteering.
5. There should be a cap on the payment of honoraria of \$5,000 per annum per individual.

## **Definition of volunteer**

The role of volunteers is vital if we are to continue as a viable and democratic society. Volunteers play a major role in keeping our society ticking over and in its development and they in turn benefit from their involvement with communities, gaining a sense of belonging and worth, acquiring knowledge and skills and being able to give something back.

While Inland Revenue may need to define volunteer for the purposes of reimbursements and honoraria we join with the NZFVWO and Volunteering NZ in preferring to see all forms of volunteering acknowledged and that a starting point for a definition should include:

1. That there is no financial gain for the individual
2. That it includes the concept of free will and is flexible enough to encompass mahi aroha and other cultures perspectives on volunteering
3. That the act benefits a third party.

We urge that there be ongoing consultation with the tangata whenua, community and voluntary sector particularly in the matter of defining a volunteer.

**Tax treatment of reimbursement of expenses**

Social Services Waikato believes that all reimbursements for expenses incurred in carrying out voluntary unpaid activities should be exempt from any tax. These reimbursements would include for travel expenses and other expenses directly related to the volunteer activity.

We would like to see the reimbursement process kept as simple as possible to minimise administration time and cost involved.

**Tax treatment of honoraria**

We believe that the payment of honoraria should be separated out from the payment of reimbursements incurred in volunteering.

We recommend that honoraria under \$5,000 per annum per individual should be tax free.

Thank you for the opportunity to submit on this matter.

13 December 2007