

Volunteering Canterbury

Tax Questions Answered

Q When must we register for G.S.T.?

A When your turnover reaches \$60,000 for the past 12 months (\$5,000 per month), or is expected to exceed \$60,000 for the next 12 months. If you're getting close to this threshold you need monitor whether you need to register. Get a registration form from IRD or register online.

Q Does Income tax exemption mean GST exemption?

A **NO!** Everybody must pay G.S.T. but registered organisations can claim this against G.S.T. received.

Q If we pay an honorarium do we need to deduct PAYE?

A Yes, honoraria are schedular (withholding) payments. You need to be set up as employer with IRD and allow for the relevant schedular tax rate as per the list on the back of the Tax Code Declaration IR330.

Q Can we reimburse a volunteer for wages lost when they attend a conference on our behalf during what would normally be their paid work time?

A Such payment would be considered to be taxable income (an honorarium). The volunteer would be able to claim for any direct, out-of-pocket expenses which would not be taxable.

Q Can we reimburse a volunteer for the cost of a meal? What if they don't have a receipt?

A Yes, you may occasionally reimburse the cost of a meal as long as it is not regular and amount involved is reasonable. You should always try to obtain a receipt, but IRD will accept that this may not always be possible.

Q Do donations include GST?

A No. But a payment may be incorrectly described as a donation if the person making the payment, or the person's family, receive an identifiable direct valuable benefit as a result of making the payment. Such payments are not unconditional gifts (donations), unless the benefit arises irrespective of the payment being made.

Regarding GST on grants, some are liable and others aren't. Section 5(6D) of the Goods and Services Tax Act deems grants or subsidies made on behalf of the Crown or public authorities in relation to an organisation's taxable activity to be taxable supplies (see page 52 of the *GST Guide*). COGS is administered by the Department of Internal Affairs so grants from COGS come within the scope of section 5(6D).

The Canterbury Community Trust is not a public authority. Organisations receive funding from the Canterbury Community Trust because they come within the class of objects (e.g. charitable purposes) for which the Trust was established. Effectively the organisations receive the funding as discretionary beneficiaries of the Trust. These payments come within the definition of "unconditional gift" in section 2(1), and do not come within the provisions of section 6(5D).

Q If a koha is received by an organisation in acknowledgement of an individual's work (but no money received by the individual) are there any tax implications?

A No, provided there is no obligation to pay and a fee is not usually charged for this service. The payment is treated as a donation as long as there is no pecuniary gain to the person who gave the service.

Q Do we need to declare donations as income on our GST return?

A No.

Normally volunteers incur some expenditure in performing their volunteer role (e.g. travel costs) and token payments in this situation are usually treated as being wholly reimbursement of expenditure incurred by the volunteer. However if regular gifts of money are given then the relationship becomes one of paid employment. See further information in "Reimbursement of Volunteers' Expenses".

Our thanks to Daryl Mataiti and Anne Williams of the Department of Inland Revenue for answering our tax questions.

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