

REIMBURSEMENT OF VOLUNTEERS' EXPENSES

Any reimbursement MUST be for actual expenses. Either the volunteer must provide proof that the money has already been spent or the person paying may make a reasonable estimate of the expense likely to be incurred. If any other money is given it is treated as income and you are obliged to deduct PAYE. Gift vouchers incur tax in the same way as money does. Reimbursement payments may also be made to volunteers who are non-residents, such as a holidaying visitor. They will not be required to file a New Zealand tax return provided they receive no other New Zealand income.

It is NOT acceptable to give volunteers a flat amount, e.g. \$5 or \$10 per day and say that this is a reimbursement for the cost of their travel. You may reimburse actual travel costs, e.g. mileage for driving to their place of voluntary work, but this must be in return for a written statement from them with the number of kilometres travelled. There are two methods of calculating the amount of reimbursement.

1. You can use the IRD non-taxable rate of 77 cents per kilometre (unless the volunteer has kept a full log book and all receipts for vehicle expenses over a three month period to prove the need for a higher reimbursement).
2. You can use the NZ Automobile Association Inc. mileage rates which in 2012 were 52.9 cents per kilometre for a vehicle under 1500cc 63 cents per kilometre for a vehicle 1500cc–2000cc, and 79.1 cents per kilometre for a vehicle 2000cc–3500cc.

Once a volunteer has provided a written statement of distance travelled you may reimburse them again for similar journeys without needing to have a statement each time. If you reimburse at the above rates no tax will be incurred by the volunteer.

It is not usually acceptable to give a meal allowance or reimbursement for money spent on food while the volunteer is at their place of voluntary work. Meals are seen to be a private cost to the worker unless the cost is incurred while they are away on business for the organisation. However you may provide a light meal for the worker on the organisation's premises, i.e. food not money. Occasionally you may reimburse the cost of a meal as long as it doesn't happen regularly and the amount involved is reasonable. An example of this would be if a volunteer was working during the day and continued on to attend an evening meeting on behalf of the organisation. Where the 'working day' had progressed into the evening this would be an acceptable reason to pay for a meal off the premises. Receipts should be kept to substantiate reimbursement.

It is possible to give volunteers a small gift, provided this is not done regularly and there is no expectation on the part of the volunteer. The IRD Factsheet IR278 "Payments and gifts in the Maori community" gives good examples on how to determine whether a gift is "unconditional" or whether it is liable for tax. If the volunteer receiving the gift is also a Member of your organisation you would be wise to check your constitution in case it has clauses about pecuniary gain for members.

Please be aware that an honorarium will incur income tax. If a payment made is a combination of an honorarium and a reimbursement of expenses incurred, the separate portions must be clearly identified and recorded. If the distinction between them is not clear then the entire payment is treated as an honorarium and subject to tax. We note that the IRD have made a ruling that Plunket organisations can pay their Board members an honorarium of up to \$700 per annum and it will be treated as expense reimbursement (i.e. not liable for income tax). This applies only to Plunket.