



GOVERNANCE RISK & OPERATIONS

Volunteer Payments: The Label Doesn't Decide the Tax Treatment

Calling it an honorarium doesn't make it tax-free. Whether it connects to the volunteer's own profession does

Calling a payment to a volunteer an honorarium does not make it tax-free, and the ATO is explicit about this: the name or description attached to a payment does not determine how it is taxed. What matters is the nature of the payment and the volunteer's own circumstances, and getting this distinction wrong can leave a volunteer with an unexpected tax bill your association never intended to create.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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The Distinction Most Boards Miss

An honorarium paid as an honorary reward for voluntary service, unconnected to the volunteer's own profession or income-producing activity, is generally not assessable income. The same payment becomes assessable, however, where it is effectively a fee for professional services the volunteer voluntarily provided in an area connected to their own livelihood. A volunteer who happens to be a graphic designer and is paid an honorarium specifically for producing an association's annual report using their own professional skills and equipment has received assessable income, precisely because that payment connects directly to their income-producing profession, regardless of how appreciative and voluntary the underlying gesture was.

Reimbursements Over Allowances, Every Time

A reimbursement, precise compensation for an expense the volunteer has incurred and can substantiate, is not assessable income. An allowance, a predetermined fixed amount paid regardless of what the volunteer actually spends, carries meaningfully greater risk of being treated as assessable income, since it is not tied to any actual, verifiable expense. The ATO notes that an allowance paid regardless of what the volunteer actually spends, with no requirement to repay any unspent amount, may be assessable income. In practice, allowances can quietly transfer a tax compliance burden onto volunteers who may have no idea they now carry one. A volunteer receiving a fixed, predetermined allowance rather than a receipted reimbursement may be building an unexpected tax obligation they never asked for and your association never intended to create, simply because the payment was not tied to an actual, substantiated expense.

The PAYG Withholding Trap Connected To A Volunteer's Own Business

A specific trap arises where a volunteer is reimbursed for materials or supplies connected to their own business's trading stock, rather than a personal purchase entirely separate from their livelihood. Where this connection exists, the ATO treats the reimbursement as assessable income of the volunteer, because it is a supply made in the course of their business. Ask for their ABN, and if one is not quoted, check whether the association must withhold under the no-ABN withholding rules. A tradesperson volunteering and using materials from their own business's stock sits in different tax territory from the same tradesperson making an entirely personal purchase unconnected to their business for the same volunteering activity.

- Assess whether any honorarium or payment to a volunteer connects to that volunteer's own profession or income-producing activity, since this connection, not the payment's label, determines whether it is assessable.
- Default to receipted reimbursements over fixed allowances wherever practical, given the meaningfully lower risk of unintentionally creating assessable income for the volunteer.
- Require volunteers to substantiate expenses with receipts before reimbursing, since this is what distinguishes a reimbursement from a payment more likely to be treated as an allowance.
- Request an ABN where a reimbursement connects to a volunteer's own business supplies, and confirm whether no-ABN withholding applies if one is not quoted.
- Build a clear, written volunteer payments policy setting out how and when reimbursements, allowances, and honorariums are approved, giving both the organisation and its volunteers clarity before any payment is made, and seek advice if a volunteer receives regular payments linked to the work they do, since this may indicate an employment or contractor relationship.

Volunteers give their time freely, and the least an association can offer in return is clear information about the tax consequences of any payment it makes to them. A well-designed volunteer payments policy protects both the organisation's own compliance position and the volunteers who never expected their generosity to come with an unexpected tax obligation attached. This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Volunteer Payments: The Label Doesn't Decide the Tax Treatment

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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