

# Volunteers and tax

Treatment of transactions between non-profit organisations and volunteers



You should use this guide if you are involved in the administration of a non-profit organisation or a volunteer helping to provide its services.



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This publication was current at **April 2008**.

## ABOUT THIS GUIDE

This guide is for individuals and non-profit organisations that deal with volunteers.

Non-profit organisations operate in many areas of society. They can include charities, clubs, societies and associations.

You can use this guide to learn about:

- the tax treatment of transactions that commonly occur between non-profit organisations and volunteers
- our other publications and services.

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## PUBLISHED BY

The Australian Taxation Office  
Canberra

April 2008

JS 10653  
NAT 4612-04.2008

# CONTENTS

## 01

### **DISTINGUISHING VOLUNTEERS FROM EMPLOYEES**

Meaning of volunteer

Meaning of employee

## 02

### **PAYMENTS TO VOLUNTEERS**

Are payments to volunteers assessable income?

Honoraria

Reimbursements

Allowances

## 03

### **EXPENSES INCURRED BY VOLUNTEERS**

Are volunteers' expenses tax deductible?

Donations

## 04

### **GOODS AND SERVICES TAX**

What is GST?

Endorsement requirements for charities

Can an organisation claim GST credits on purchases for its volunteers?

Can an organisation claim GST credits on reimbursements to its volunteers?

Tax invoice required

Does an organisation need to remit GST on supplies to its volunteers?

## 05

### **FRINGE BENEFITS TAX**

What is FBT?

If an organisation provides a volunteer with a non-cash benefit, will it attract FBT?

## 06

### **PAY AS YOU GO WITHHOLDING**

When must an organisation withhold from a payment to a volunteer?

Registration and reporting

### **DEFINITIONS**

### **MORE INFORMATION**

inside back cover

2

2

2

3

3

3

4

4

5

5

5

6

6

6

6

7

9

9

10

10

10

11

11

11

12

# 01

## DISTINGUISHING VOLUNTEERS FROM EMPLOYEES

It is important to determine whether an individual is a volunteer or an employee of an organisation. This status may affect the tax treatment of transactions between the individual and the organisation.

As a general rule:

- Volunteers do not have to pay tax on payments or benefits they receive in their capacity as volunteers.
- Non-profit organisations are not liable for pay as you go (PAYG) withholding and fringe benefits tax (FBT) on payments they make, or benefits they provide, to volunteers.

We explain some exceptions later in this guide.

### MEANING OF VOLUNTEER

There is no legal definition of 'volunteer' for tax purposes. The dictionary defines a volunteer as someone who enters into any service of their own free will, or who offers to perform a service or undertaking.

### MEANING OF EMPLOYEE

Generally, an individual is considered to be an employee if they:

- are paid for time worked
- receive paid leave (for example, sick, annual or recreation, or long service leave)
- are not responsible for providing the materials or equipment required to do their job
- must perform the duties of their position
- agree to provide their personal services
- work hours that are set by an agreement or award
- are recognised as part and parcel of the payer's 'business'
- do not take commercial risks and cannot make a profit or loss from the work performed.

A genuine volunteer does not work under a contractual obligation for remuneration and would not be an employee or an independent contractor. You should always consider the facts and circumstances of each individual when determining whether they are a volunteer, employee or independent contractor.

#### MORE INFORMATION

See *PAYG withholding guide no. 2 – How to determine if workers are employees or independent contractors* (NAT 2780).

To obtain this publication, see 'More information' on the inside back cover.

## ARE PAYMENTS TO VOLUNTEERS ASSESSABLE INCOME?

Volunteers can be paid in cash, given non-cash benefits or given a combination of both cash and non-cash benefits. These payments are given various descriptions, including honoraria, reimbursements and allowances. Sometimes they are given no name at all.

How an amount is described does not determine its treatment for tax purposes. Whether a payment is assessable income in the hands of a volunteer depends on the nature of the payment and the recipient's circumstances.

Generally, receipts which are earned, expected, relied upon and have an element of periodicity, recurrence or regularity are treated as assessable income.

Where a person's activities are a pastime or hobby rather than income-producing, money and other benefits received from those activities are not assessable income.

A payment to a volunteer that is not assessable will have many of the following characteristics.

- The payment is to meet incurred or anticipated expenses.
- The payment has no connection to the recipient's income-producing activities or services.
- The payment is not received as remuneration or as a consequence of employment.
- The payment is not relied upon or expected by the recipient for day-to-day living.
- The payment is not legally required or expected.
- There is no obligation on the part of the payer to make the payment.
- The payment is a token amount compared to the services provided or expenses incurred by the recipient. Whether the payment is token depends on the full facts surrounding the payment and recipient's circumstances.

## HONORARIA

What is an honorarium?

An honorarium can describe:

- an honorary reward for voluntary services
- a fee for professional services voluntarily rendered.

An honorarium may be paid in money or as property.

### Is an honorarium assessable income?

Whether an honorarium is assessable income in the hands of a volunteer depends on the nature of the payment and the recipient's circumstances. Honorary rewards for voluntary services are not assessable as income and related expenses are not deductible.

#### EXAMPLE:

Michael works as a computer programmer at the local city council and volunteers as a referee for the local rugby union. This year, he organised an accreditation course for new referees. He applied for a grant, arranged advertising, assembled course materials and booked venues. Michael is awarded an honorarium of \$100 for his efforts. The honorarium is not assessable income.

Fees received for professional services voluntarily rendered are assessable income. In this situation the volunteer may be entitled to a deduction for expenses incurred in performing these professional services.

#### EXAMPLE:

Judy has a graphic design business and volunteers at the local art gallery. Judy prepares the gallery's annual report using her business's software and equipment. At the gallery's annual general meeting, Judy is awarded an honorarium of \$200 in appreciation of her services. This honorarium will be assessable income to Judy because it is a reward for services connected to her income-producing activities.

### How much is too much for an honorarium?

The amount of an honorarium is not a conclusive factor in deciding whether it is assessable income. To determine how a particular honorarium is treated for income tax purposes, the full facts surrounding both the payment and the recipient must be considered.

## REIMBURSEMENTS

### What is a reimbursement?

A payment is a reimbursement for tax purposes where it is a precise compensation, in part or full, for an expense already incurred, even if the expense has not yet been paid. A payment is more likely to be a reimbursement where the recipient is required to substantiate expenses and/or refund unexpended amounts.

In general, the payer considers the expense to be their own and the recipient incurs the expenditure on behalf of the payer. The recipient may be reimbursed for all or part of the expense.

### Is a reimbursement assessable income?

If an organisation reimburses a volunteer for using a personal asset or incurring expenses on its behalf, the reimbursement will not be assessable income of the volunteer, provided:

- the payment does no more than reimburse the volunteer for expenses actually incurred, and
- the payment is not for a supply made in the course of an enterprise of the volunteer.

### EXAMPLE:

Robert is an electrical contractor. He volunteers to mow the yard of a local non-profit child care centre. Robert purchases a \$15 spare part for the centre's mower. The child care centre reimburses Robert for the cost of the spare part. As Robert has not made the supply in the course of his enterprise as an electrician, the \$15 received from the child care centre will not be assessable to Robert.

Robert also volunteers to do the electrical maintenance at the child care centre and uses materials from his business's trading stock. Because the supplies are made in the course of his enterprise, any reimbursements he receives for the cost of the materials will be assessable income.

## ALLOWANCES

### What is an allowance?

A payment is an allowance when it is a definite, predetermined amount to cover an estimated expense. It is paid even if the recipient does not spend the full amount.

### Is an allowance assessable income?

Whether an allowance is assessable income of the volunteer depends on the facts surrounding the payment and the relationship between the individual and the organisation.

If a volunteer receives an allowance with no regard to actual expenses and there is no requirement to repay unspent monies, the allowance may be treated as assessable income.

### EXAMPLE:

Mark volunteers as a telephone counsellor for a crisis centre. He is rostered on night shifts during the week and is occasionally called in on weekends. When Mark works weekends the centre pays him an allowance of \$150. The allowance is paid to acknowledge Mark's extra efforts and to compensate him for additional costs incurred. These payments to Mark are considered assessable income as they are more than a token amount.

## ARE VOLUNTEERS' EXPENSES TAX DEDUCTIBLE?

The income tax law contains no specific deductions for voluntary-work expenses. As voluntary work is usually unpaid, payments to volunteers are generally not assessable income. For this reason, most expenses incurred in voluntary work are not tax deductible.

A volunteer may be entitled to claim expenses incurred in gaining or producing assessable income, except where the expenses are of a capital, private or domestic nature. For example, expenditure on items such as travel, uniforms or safety equipment could be deductible. Expenses incurred for private and income-producing purposes must be apportioned, with only the income-producing portion of the expense being tax deductible.

### EXAMPLE:

John operates a commercial fishing trawler and uses navigational charts in his business. He also volunteers as an unpaid training officer at the volunteer coastguard. John purchases two identical sets of navigational charts – one for his business, the other as a training aid in coastguard courses. John will need to apportion the expense and can claim the part that is incurred in gaining or producing assessable income – in this case, half the total cost.

## DONATIONS

It is common for volunteers to donate money, goods and time to non-profit organisations. To be tax deductible, a gift must comply with relevant gift conditions, and:

- be made voluntarily
- be made to a deductible gift recipient, and
- be in the form of money (\$2 or more) or certain types of property.

Donors can claim deductions for most, but not all, gifts they make to deductible gift recipients.

For example, a gift of a service, including a volunteer's time, is not deductible as no money or property is transferred to the deductible gift recipient.

Payments that are not gifts include those to school building funds as an alternative to an increase in school fees and purchases of raffle or art union tickets, chocolates and pens.

### EXAMPLE:

Sally buys a clock at a charity auction for \$200. This is not a gift even if Sally has paid a lot more than the value of the clock.

! Individuals may be entitled to a tax deduction for contributions made at fundraising events, including dinners and charity auctions. For more information, see *Fundraising* (NAT 13095). To obtain this publication, see 'More information' on the inside back cover.

A token of acknowledgement from a gift recipient can be consistent with a payment being a gift.

### EXAMPLE:

Clare receives a lapel badge for her donation to a deductible gift recipient. This is not a material benefit and the donation is a gift.

### ➤ MORE INFORMATION

To find out if a particular organisation is a deductible gift recipient phone us on **13 28 61**, or search the Australian Business Register at **[www.abn.business.gov.au](http://www.abn.business.gov.au)**

See *GiftPack* (NAT 3132) for information on claiming deductions for gifts.

To obtain this publication, see 'More information' on the inside back cover.

! In this chapter when we say:

- **sales**, we are referring to the GST term 'supplies'
- **purchases**, we are referring to the GST term 'acquisitions'
- **GST credit**, we are referring to the GST term 'input tax credit'
- **payments made** or **payments received**, we are referring to the GST term 'consideration'.

### WHAT IS GST?

Goods and services tax (GST) is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia.

A non-profit organisation must register for GST if its GST turnover is \$150,000 or more. If its turnover is less, it can register if it chooses.

Registration for GST means that an organisation must include GST in the price of most goods and services it sells or provides (called 'taxable sales') and it can claim GST credits for the GST included in the price of certain things it purchases. There are some goods and services that do not have GST included in the sale price. These are either GST-free or input-taxed sales.

If an organisation is registered for GST it may be entitled to claim GST credits for purchases that it makes for its volunteers or when it reimburses its volunteers for expenses they have incurred.

### ENDORSEMENT REQUIREMENTS FOR CHARITIES

Charities should be aware that there are endorsement requirements to access some of the concessions discussed in this chapter.

Charities can self-assess their entitlement to GST charity concessions up to 1 July 2005. Charities that want to access these concessions from 1 July 2005 must be endorsed by us.

Where an organisation qualifies for a GST concession as both a charity and another type of entity, for example a gift deductible entity, it may access the concession only if it is endorsed to access GST charity concessions.

Endorsement is different to registration. Endorsement provides a charity with access to concessions. If a charity is 'registered' for a tax, it is generally a payer of that tax.

### ➤ MORE INFORMATION

See *Instructions for endorsement as a tax concession charity or income tax exempt fund* (NAT 10652).

To obtain this publication, see 'More information' on the inside back cover.

### CAN AN ORGANISATION CLAIM GST CREDITS ON PURCHASES FOR ITS VOLUNTEERS?

An organisation must be registered for GST to claim GST credits for the GST included in the price of the purchases it makes in carrying on its activities. This includes things that it buys for its volunteers.

#### EXAMPLE:

A sporting club buys uniforms for its volunteer players. The club is entitled to a GST credit for the GST in the price of the uniforms.

A charity buys a car for volunteers to use when carrying out the organisation's services. The charity is entitled to GST credits for the GST in the purchase price of the car.

### Input-taxed sales

An organisation cannot claim GST credits for the GST in the price of purchases that it makes (whether for a volunteer or not) that are for the purpose of making input-taxed sales.

When an organisation makes an input-taxed sale, it does not have to remit GST on the sale. However, it is not entitled to claim any GST credits for the GST in the purchase price of things that it buys to make that sale. Only certain types of sales are input taxed.

A non-profit canteen at a school may choose to treat its sale of food and beverages as input taxed.

Charities, gift-deductible entities and government schools may choose to treat sales at the following fundraising events as input taxed:

- a fete, ball, gala show, dinner, performance or similar event
- an event where all goods are sold for \$20 or less (except for alcohol and tobacco products)
- an event that has been approved by the Commissioner of Taxation as a fundraising event.

If a charity, gift-deductible entity or a government school holds a particular fundraising event more than 15 times a year, sales at the event cannot be treated as input taxed.

#### EXAMPLE:

A charity has chosen to treat its sales made at an annual fete as input taxed. The stalls at the fete are staffed by volunteers. The charity buys a red rose for each volunteer to wear while serving at the stalls.

The charity cannot claim GST credits for the GST in the purchase price of the red roses as they are purchased for the purpose of making input-taxed sales at the fete.

#### Entertainment

If an organisation provides entertainment to its volunteers, it generally cannot claim GST credits for the GST included in the cost of the entertainment. Entertainment means:

- entertainment by way of food, drink or recreation
- accommodation or travel to do with providing entertainment by way of food, drink or recreation.

Generally, if an organisation provides light meals, such as hot or cold sandwiches, morning and afternoon tea or non-alcoholic refreshments to its volunteers this will not constitute entertainment. The organisation can claim GST credits for the GST included in such expenses.

More elaborate meals will constitute entertainment. Any food or drink provided in a social setting such as dinners, parties and social functions will constitute entertainment.

This includes meals provided in a social setting at an in-house dining facility. An organisation cannot claim GST credits for the GST included in such entertainment expenses.

If an organisation provides food, drink, accommodation or travel that is reasonably incidental to a volunteer's attendance at a seminar, of at least four hours duration, it can claim GST credits for the GST included in such expenses.

#### EXAMPLES:

An emergency-services organisation provides sandwiches and pastries to volunteers during an operation. The organisation is entitled to claim GST credits for any GST included in the expenses incurred.

A charity holds an end-of-year dinner as a thank you to its volunteers. The charity is not entitled to claim GST credits for any GST included in the expenses incurred.

A surf life saving club holds an all day training course for its volunteer life savers. During the day, the club provides a smorgasbord of hot and cold foods. The surf life saving club is entitled to claim GST credits for any GST included in the expenses incurred.

#### MORE INFORMATION

See *Charities Consultative Committee Resolved Issues document* parts 3 and 4. To access this document, visit our non-profit home page at [www.ato.gov.au/nonprofit](http://www.ato.gov.au/nonprofit) and search for 'resolved issues'.

#### CAN AN ORGANISATION CLAIM GST CREDITS ON REIMBURSEMENTS TO ITS VOLUNTEERS?

An organisation must be registered for GST to claim GST credits on reimbursements to its volunteers.

Subject to the following three exceptions, an organisation cannot claim GST credits when it reimburses a volunteer for expenses they have incurred in carrying out their activities for the organisation.

#### EXAMPLES:

A sporting club reimburses a volunteer coach for petrol costs incurred in travelling to training sessions and matches. The sporting club cannot claim any GST credits for the GST included in the price of the petrol.

A volunteer member of a service club decides to buy stationery for the club because their stocks are running low. The member pays for the stationery and is reimbursed by the club. The club is not entitled to claim GST credits for the GST in the price of the stationery.

### Exceptions

- 1 If an organisation is a charity, a gift-deductible entity or a government school, it is entitled to claim GST credits when it reimburses a volunteer for expenses directly related to the volunteer's activities for the organisation.

#### EXAMPLES:

A volunteer of a charity which operates a crisis centre, contacts many people by telephone from her home. The charity reimburses the volunteer for telephone expenses relating to her work for the centre. The charity is entitled to claim a GST credit for the GST included in the price of the calls.

A volunteer counsellor for a charity attends a training session on conflict resolution. The charity reimburses the volunteer for the cost of the session. The charity is entitled to claim a GST credit for the GST included in the cost of the session.

A volunteer for a charity that runs a support group buys soft drink and biscuits for the meetings of the group. The charity reimburses the volunteer for the expense. The charity is entitled to claim GST credits for any GST in the price of the soft drink and biscuits.

- 2 A volunteer acts as a non-profit organisation's agent when incurring an expense. The organisation is entitled to claim GST credits for expenses incurred by a volunteer authorised to incur those expenses on its behalf.

#### EXAMPLE:

A bushwalkers' club authorises its social secretary to hire a hall for the club's annual general meeting. The social secretary pays for the hire of the hall. The club reimburses the social secretary for this expense. Provided the social secretary booked the hall in the name of the club (and the club rather than the social secretary is bound by the hire agreement with the owners of the hall), then the club will be entitled to claim GST credits for the GST in the price of the hall hire.

- 3 The volunteer is an officer of an organisation. The organisation can claim GST credits when reimbursing an officer for expenses directly related to their activities as an officer. This includes a director, secretary or an executive officer.

#### EXAMPLE:

The voluntary secretary of the Lawnmowers' Association of South Australia attends an interstate conference on the latest lawnmower technology. The association reimburses the secretary for her travel expenses in attending the conference. The association is entitled to claim GST credits for the GST included in the costs of her travel.

#### ! REIMBURSEMENT OR ALLOWANCE?

Reimbursements are treated differently to allowances for purposes of claiming GST credits. If an organisation meets one of the three exceptions, it can claim a GST credit if it **reimburses** the volunteer. If the organisation pays that volunteer an **allowance**, it cannot claim a GST credit.

See page 4 for an explanation of 'What is a reimbursement?' and 'What is an allowance?'

**EXAMPLES:**

Aiko is a volunteer of a charity. Aiko picked up and paid for a stationery order for the charity. The stationery cost \$100 and Aiko used approximately \$20 worth of petrol. Aiko provided the receipt for the stationery to the charity and is compensated exactly for the cost of the stationery. Aiko would not have been entitled to receive the \$100 if she was unable to vouch for the stationery cost. This amount is a reimbursement. Aiko also received \$50 for the cost of the trip and was not required to return any unspent money. This amount would be an allowance.

Volunteers of a charity are provided with an allowance of \$100 per year for petrol expenses. The volunteer is paid this amount even if they spend more, or less, than this amount on petrol. The charity will not be entitled to claim a GST credit on the amount provided to each volunteer.

**TAX INVOICE REQUIRED**

If an organisation is entitled to claim GST credits (including when it reimburses a volunteer for an expense), it needs to hold a tax invoice. The volunteer needs to request a tax invoice from the supplier and pass that tax invoice to the organisation.

The organisation can still claim the GST credits even if the tax invoice is in the name of the volunteer. An organisation does not need a tax invoice to claim a credit if an expense is \$82.50 (GST inclusive) or less. All that is required is some other documentary evidence of the expense, such as a cash receipt, cheque butt or bank statement.

**DOES AN ORGANISATION NEED TO REMIT GST ON SUPPLIES TO ITS VOLUNTEERS?**

An organisation does not need to remit GST on things that it provides to volunteers if those things are to be used by the volunteer in undertaking their activities.

**EXAMPLES:**

An adult migrant education organisation provides its volunteers with stationery to be used in teaching English to migrants. The stationery is to be used by the volunteer in providing their services. Therefore, the organisation is not required to remit GST on the provision of stationery to the volunteers.

A hospital provides its volunteers with meals at its canteen. The meal is provided to the volunteer to assist them in providing their services to the hospital. The hospital is not required to remit GST on the provision of the meal to the volunteer.

**➤ MORE INFORMATION**

See *GST for small business* (NAT 3014).

To obtain this publication, see 'More information' on the inside back cover.

**WHAT IS FBT?**

Fringe benefits tax (FBT) is a tax payable by employers who provide fringe benefits to their employees or to associates of their employees.

Fringe benefits may be rights, privileges or services. For example, a fringe benefit is provided when an employer:

- allows an employee to use a work car for private purposes
- pays an employee's green fees at golf days.

FBT may apply when non-profit organisations provide benefits to their employees, but certain FBT concessions can reduce the organisation's liability.

Non-profit organisations are only liable to pay FBT on benefits provided to an employee or an associate of an employee in respect of their employment. It is important therefore to determine the status of the people involved in the operations of your organisation. Many will be volunteers, some will be contractors and some will be employees.

A genuine volunteer does not work under a contractual obligation for remuneration and would not be an employee or an independent contractor.

For the purposes of FBT, an employee is a person who receives (or is entitled to receive) salary or wages, or a benefit provided in respect of their employment.

 MORE INFORMATION

See 'Distinguishing volunteers from employees' on page 2.

**IF AN ORGANISATION PROVIDES A VOLUNTEER WITH A NON-CASH BENEFIT, WILL IT ATTRACT FBT?**

Generally benefits provided to volunteers do not attract FBT.

**EXAMPLES:**

Nikki volunteers her time with an environmental group planting trees along waterways. While planting in country areas she is provided with accommodation and basic meals. Nikki is not considered to be an employee and no FBT will arise on these benefits.

George provides his services to the local volunteer bushfire brigade. He is reimbursed for travel and other minor expenses he incurs in carrying out his duties. George is not considered to be an employee as the reimbursement he receives does not amount to salary or wages. No FBT will arise on these reimbursements.

This guide only addresses transactions involving genuine volunteers. If an organisation provides non-cash benefits to workers in lieu of salary and wages, FBT can apply.

 MORE INFORMATION

See *Tax basics for non-profit organisations* (NAT 7966).

To obtain this publication, see 'More information' on the inside back cover.

## WHEN MUST AN ORGANISATION WITHHOLD FROM A PAYMENT TO A VOLUNTEER?

Payments to volunteers are generally not subject to pay as you go (PAYG) withholding. However, an organisation may be required to withhold from a payment to a volunteer where the payment is for a supply of goods or services made in the course of an enterprise carried on by the volunteer, and the volunteer has not quoted their Australian business number (ABN).

### EXAMPLE:

Tom operates a bakery business. He volunteers to paint a community centre for a charity. Tom pays \$80 for additional material not supplied by the charity. The charity reimburses Tom \$80 for the cost of the material. As Tom has not made the supply in the course of his enterprise as a baker he does not need to quote his ABN to the charity and the charity will not be required to withhold from the payment to Tom.

Tom also agrees to make pies at his bakery for the charity's pie drive for the cost of the ingredients. The charity reimburses Tom \$150 for the cost of the ingredients. As Tom has made a supply in the course of his enterprise, he will need to quote his ABN to the charity to avoid an amount being withheld from the payment. If he does not quote his ABN, the rate of withholding in this situation would be 46.5% of the total payment.

Your organisation should not withhold if:

- the total payment to the supplier is \$75 or less, excluding any GST
- the supplier is an individual under 18 years of age, is not your employee, and the payments you make to that person do not exceed \$120 per week
- the supply is wholly input taxed under GST – this includes most financial supplies, supplies of residential rent and residential premises, food supplies by school tuckshops and canteens that have chosen to be input taxed and sales made at fundraising events that charities, gift-deductible entities and government schools can, and have chosen to, treat as input taxed.

### ➤ MORE INFORMATION

Contact us if you're not sure whether the supply is input taxed.

Also, your organisation should not withhold if it is satisfied that:

- the supply is made in the supplier's private capacity, or as their hobby
- the payment is exempt income for the supplier (for example, the supplier is an income tax exempt charity)
- the payment is to a non-resident who is not carrying on an enterprise in Australia or through an agent in Australia
- the supplier is not carrying on an enterprise because they have no reasonable expectation of profit or gain.

If you are unsure that one of these exceptions applies, you should ask the supplier to give you a written statement that the supply is excluded for one of these reasons.

### ➤ MORE INFORMATION

For a list of exceptions, see *Statement by a supplier (reason for not quoting an ABN to an enterprise)* (NAT 3346).

To obtain this publication, see 'More information' on the inside back cover.

## REGISTRATION AND REPORTING

If an organisation makes withholding payments, it is required to be registered for PAYG withholding. Once it is registered we will send the appropriate information to help it comply with its withholding and reporting obligations. The organisation is also required to report and pay withheld amounts to us using activity statements.

An organisation that is required to withhold from payments where no ABN has been quoted must give a payment summary to the payee at the time of payment or as soon as practicable afterwards.

The organisation must also report these payments to us by 31 October using *PAYG withholding where ABN not quoted – annual report* (NAT 3448).

### ➤ MORE INFORMATION

See *Essential information about PAYG withholding* (NAT 5195).

To obtain this publication, see 'More information' on the inside back cover.

## DEFINITIONS

### Australian business number (ABN)

Your ABN is your identifier for certain dealings with the Tax Office and other government departments and agencies.

### Activity statement

You use an activity statement to report your PAYG withheld amounts, along with other tax entitlements and obligations including GST, fuel tax credits, PAYG instalments and fringe benefits tax instalments.

### Charity

A charity is an institution or fund established for a charitable purpose. Examples of charities include:

- religious institutions
- aged persons homes
- homeless hostels
- primary or secondary schools run by churches
- organisations relieving the special needs of people with disabilities
- societies that promote the fine arts.

### Deductible gift recipient (DGR)

A DGR is an organisation that is entitled to receive income tax deductible gifts. All DGRs have to be endorsed by the Tax Office, unless they are listed by name in the income tax law.

There are two types of endorsement:

- where an organisation is endorsed as a DGR in its own right
- where an organisation is endorsed as a DGR for a fund, authority or institution that it owns or includes.

For the second type, only gifts to the fund, authority or institution are tax deductible.

### Endorsement

Endorsement is the process under which organisations apply to the Tax Office for approval to:

- access charity concessions under the income tax, FBT and GST laws – the relevant application form is *Application for endorsement as a tax concession charity or income tax exempt fund* (NAT 10651)
- receive income tax deductible gifts – the relevant application form is *Application for endorsement as a deductible gift recipient* (NAT 2948).

### Enterprise

An enterprise includes a business and other commercial activities. It does not include:

- private recreational pursuits and hobbies
- activities carried on as an employee, labour-hire worker, director or office holder
- activities carried on by individuals (other than trustees of charitable funds) or partnerships (in which all or most of the partners are individuals) without a reasonable expectation of profit.

It includes the activities of entities such as charities, deductible gift recipients, religious and government organisations, and certain non-profit organisations.

### Fringe benefits tax (FBT)

FBT is a tax payable by employers who provide fringe benefits to their employees or associates of their employees.

### Goods and services tax (GST)

GST is a broad-based tax of 10% on the supply of most goods, services and anything else consumed in Australia and the importation of goods into Australia.

### GST credit

A GST credit is what you claim to get back the GST you pay in the price of goods and services you purchase for your business or enterprise. You are entitled to a GST credit for the GST included in the price you pay for a purchase, or included in the price you paid on an import, if it is for use in your business or enterprise, but not to the extent that you use the purchase or import to make input taxed sales, or if the purchase or import is of a private or domestic nature. You must have a tax invoice before you can claim a GST credit on your activity statement (except for purchases of \$82.50 or less including GST).

### Input-taxed supplies

You do not include GST in the price of input-taxed supplies you make, but neither are you entitled to GST credits for things you have purchased or imported that relate to making those input-taxed supplies. In some cases, you may be entitled to claim reduced GST credits. Some examples of input-taxed supplies include most financial supplies and supplies of residential rent and residential premises.

### Pay as you go (PAYG) withholding

PAYG withholding requires an entity to withhold an amount if it makes withholding payments including salary, wages, commission, bonuses or allowances to an employee, directors' fees and payments for a supply (goods or services) to another enterprise which does not quote an ABN.

### Payment summary

A payment summary shows the total payments made and the amounts withheld for withholding payments (such as payments to employees) paid during the financial year ending 30 June, or the amount withheld from a business where an ABN was not quoted.

### Tax invoice

A tax invoice is a document generally issued by the seller. It shows the price of a sale, indicating whether it includes GST, and may show the amount of GST. It must show other information, including the Australian business number of the seller. You must have a tax invoice before you can claim a GST credit on your activity statement for purchases of more than \$82.50 (including GST).

## MORE INFORMATION

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### PUBLICATIONS

To obtain copies of our publications:

- visit our website at [www.ato.gov.au/nonprofit](http://www.ato.gov.au/nonprofit)
- phone **1300 720 092** and quote the NAT number, for example, NAT 4612, or
- write to us at

**Australian Taxation Office**  
**GPO Box 9990**  
**IN YOUR CAPITAL CITY**

### General overview information

*Tax basics for non-profit organisations* (NAT 7966) is for all non-profit organisations.

- It provides an overview of tax obligations and concessions for non-profit organisations.
- It helps you identify which taxes affect your organisation, including income tax, fringe benefits tax, goods and services tax, and pay as you go.
- It explains where to find more detailed information.

### More detailed information

*Fundraising* (NAT 13095) is for all non-profit organisations. This guide:

- explains the tax treatment of various fundraising activities and the concessions available
- provides information in state, territory and local government requirements in relation to fundraising.

*Income tax guide for non-profit organisations* (NAT 7967) is for all non-profit organisations. It explains:

- how to work out if your organisation is exempt from income tax
- the endorsement process for charities
- the income tax treatment of non-profit organisations that are not exempt.

*GiftPack* (NAT 3132) is for organisations that want to receive tax-deductible gifts and donors that want to claim deductions for their gifts. It explains:

- who can receive tax deductible gifts
- the endorsement process for deductible gift recipients
- the types of gifts that are tax deductible
- what donors have to do to claim deductions for their gifts.

Other guides are available with detailed information on goods and services tax, PAYG withholding, fringe benefits tax, superannuation, capital gains tax, activity statements and record keeping.

We also have a range of fact sheets on specific topics written especially for non-profit organisations.

### Technical information

If you are looking for technical information such as rulings, practice statements and tax laws, you can find them on our website.

### SERVICES

#### Internet

[www.ato.gov.au/nonprofit](http://www.ato.gov.au/nonprofit)

Our website includes an area specifically for non-profit organisations.

The *Non-profit organisations* home page at [www.ato.gov.au/nonprofit](http://www.ato.gov.au/nonprofit) links you to information about:

- taxes relevant to non-profit organisations, including income tax, fringe benefits tax, goods and services tax, and pay as you go
- exemptions or concessions that may apply
- other issues, such as fundraising, record keeping, volunteers and deductible gifts.

#### Email update service

Use the **Subscribe** link on our home page to subscribe to the *Non-profit organisations* web space and receive free email updates when information is updated or added, including articles from the **Non-profit news service**. This will keep you up to date on key tax issues affecting the non-profit sector, new publications we release for non-profit organisations, and changes to tax law.

#### Speakers and seminars

Subject to availability, we have experienced tax officers who can deliver a variety of informative and practical tax presentations and workshops. To discuss requirements for your meeting, seminar or function phone **1300 130 282** or email [speakersandseminars@ato.gov.au](mailto:speakersandseminars@ato.gov.au)

#### Phone

Phone our information line on **1300 130 248** for help with matters specific to non-profit organisations, including the endorsement process for charities and deductible gift recipients, income tax, goods and services tax and fringe benefits tax concessions.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

#### Mail

Write to us at:

**Australian Taxation Office**  
**PO Box 3000**  
**PENRITH NSW 2740**

