



GSTA TPP 015 - Goods and services tax: Is a monetary honorarium consideration for a taxable supply?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



Goods and Services Tax Advice

Goods and services tax: Is a monetary honorarium consideration for a taxable supply?

Preamble

*This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. It illustrates the principles contained in **Goods and Services Tax Ruling GSTR 2000/11 on grants**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.*

Answer

A monetary honorarium is consideration for a taxable supply if all the requirements of section 9-5 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) are met.

Background

An honorarium may be given in a wide variety of circumstances to recognise persons for their voluntary services. The honorarium does not normally equate to the value of services provided by the volunteer. In football circles, clubs may give an honorarium ranging from a few hundred dollars to several thousand dollars to strappers, runners, or other assistants.

Explanation

Under section 9-5 of the GST Act, you make a taxable supply if:

- you make the supply for consideration;
- the supply is made in the course or furtherance of an enterprise that you carry on;
- the supply is connected with Australia; and
- you are registered, or required to be registered.

However, the supply is not a taxable supply to the extent that it is GST-free or input taxed.

The answer to whether an honorarium is consideration for a taxable supply initially depends

on the existence of a connection between the payment and a supply of something. There must be a nexus between a supply and consideration for the supply to be 'made for consideration'. Where a payment, act or forbearance is 'in connection with', or 'in response to', or 'for the inducement of' a supply, it constitutes consideration for a supply. Whether or not there is any contractual obligation to provide the honorarium may be relevant in establishing the true nature of the transaction. However, where the honorarium is paid for goods or services, the fact that there is no obligation to make a payment of itself does not determine whether there is a nexus. Other factors relevant to the true nature of the transaction may include the nature of the supply, the nature of the consideration, and the arrangement between the parties.

In determining whether an honorarium is consideration for a supply, the basis of calculating the payment, such as an hourly rate, or a flat payment that bears no relationship to the duration or value of the services provided, provides little assistance. What is relevant is whether the honorarium has the requisite nexus with a supply.

If the honorarium is consideration for a supply and the other requirements of section 9-5 of the GST Act are met, the supply is a taxable supply under section 9-5 of the GST Act and the supplier should account for it on their activity statement. If the recipient of the supply is registered or required to be registered for GST purposes and the acquisition is a creditable acquisition under section 11-5 of the GST Act, the recipient may claim an input tax credit in respect of that acquisition.

Application of this GST Advice

This Advice is based on GSTR 2000/11. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

Date

Subject references:

consideration
taxable supply

Legislative references:

ANTS(GST)A 1999 9-5
ANTS(GST)A 1999 11-5
TAA 1953 37

ATO references

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