

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

! This cover sheet is provided for information only. It does not form part of *GSTA TPP 015 - Goods and services tax: Is a monetary honorarium consideration for a taxable supply?*

! With effect from 1 July 2015, the term 'Australia' is replaced in nearly all instances within the GST, Luxury Car Tax and Wine Equalisation Tax legislation with the term 'indirect tax zone' by the *Treasury Legislation Amendment (Repeal Day) Act 2015*. The scope of the new term, however, remains the same as the repealed definition of 'Australia' used in those Acts. For readability and other reasons, where the term 'Australia' is used in this document, it is referring to the 'indirect tax zone' as defined in subsection 195-1 of the GST Act.

! This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*



Goods and Services Tax Advice

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

Preamble

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: *This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.*]

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.

Related Rulings/Determinations/GST Advice:

TR 2006/10

Subject references:

consideration
taxable supply

Legislative references:

ANTS(GST)A 1999 9-5
ANTS(GST)A 1999 11-5
TAA 1953 Sch 1 Div 358

ATO references

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Application of this GST Advice

This Advice applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Commissioner of Taxation

14 June 2005
