

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 67

Topic: Tax Deductibility of Travel Expenses

Hansard Page: 105-106, 20 November 2013

Senator WILLIAMS asked:

Senator WILLIAMS: I have a friend who is a member of Rotary in the town that I live. What he is doing is going to Kokoda and building a hospital. It is volunteer work. He is an engineer by profession. But his airfares and all his costs are not tax deductible, and yet he is contributing to foreign aid in a very good way. They have done a great job up there. I was talking to him the other day and he said, 'Why can't I claim my travel costs?' I think that it cost him \$1,600 to get there and back. Accommodation was pretty basic, and I do not know if they paid for it. But here is a case where he is carrying out a really good aid program voluntarily, like many Rotarians do. He takes young builders over there and they work for two weeks without a red cent. They have to pay their own fare. Have you been approached before and asked whether that can be tax deductible when people do this charitable work?

Mr Heferen: No, I have not been approached. That is not to say that we have not had representations either via the minister or directly the department. But I am not aware of those. But I can certainly take that one forward. I would make the point that for expenditure to be tax deductible where it is not incurred in the course of earning income, which this is not, typically the government would have to make a specific policy decision to allow and it would have to be legislated. I would not pretend that my knowledge of that area of the system is comprehensive. I do not think that those are.

Senator WILLIAMS: It would be better than mine.

Mr Heferen: It might be better than a few, but it is certainly not as good as some. I will take that on notice and follow that up as soon as possible to get a response back to you. I will make clear what would and would not be deductible and then, to the extent that it is not, we will have a discussion with the minister about the prospects of making that tax deductible.

Answer:

67.

Deductibility of expenses incurred by volunteers

Expenses of volunteers, whether for overseas travel or otherwise, are generally not tax deductible. Voluntary work is usually unpaid, and payments to volunteers (e.g. reimbursements) are generally not assessable income. This means that deductions for expenses incurred by volunteers are generally not incurred in gaining or producing assessable income and are therefore not tax deductible.

Deductibility of gifts made by volunteers

Gifts of money or certain property made to 'deductible gift recipients' (DGRs), as described in Division 30 of the Income Tax Assessment Act 1997, are tax deductible to the donor.

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To be tax deductible, a gift must:

- be donated to a [DGR](#)
- really be a [gift](#)
- be a [gift of money or a certain type of property](#)
- comply with any relevant [gift conditions](#).

Of most relevance to overseas volunteering, overseas aid organisations listed on the Overseas Aid Gift Deductibility Scheme (OAGDS) can receive tax deductible donations from any Australian, including those who volunteer to assist with overseas aid work. Overseas aid organisations can also reimburse volunteers for costs incurred whilst volunteering.

A significant restriction on the ability of overseas aid volunteers to donate money or property to an organisation listed on OAGDS to, in effect, 'pay for' their travel costs, is the common law requirement that a contribution of money or property is a 'gift'.

The Courts have determined that a contribution does not meet the definition of 'gift' if the contributor receives a material benefit in return or if it is 'a payment with strings attached'. This common law rule is important for the integrity of the tax system, as it ensures that deductions are not available for arrangements that are largely for the benefit of a person making a gift.