

Governance support resources

Trustee honorarium and tax

Background

Board of trustees members are not entitled to payment for their services but can receive a particular type of payment, called an "honorarium", for attending board meetings. When "Tomorrows Schools" was introduced in New Zealand in 1989, the board was responsible for ensuring that 33% withholding tax was deducted from honoraria payments to trustees.

Some time back, NZSTA was concerned that trustees' honoraria were not always even covering their expenses to attend a board meeting. It approached the Inland Revenue Commissioner with a request to exempt board meeting attendance honoraria from withholding tax. The commissioner later ruled that as from April 2001 no tax is due on school trustees' honoraria up to specified amounts.

What this means

Payments of up to \$55.00 for a trustee and \$75.00 for the chair to attend a board meeting are defined as "expenditure incurred in the production of the payment" and are exempt from withholding tax. Annual "allowed exemptions" are \$605 per trustee (equivalent to 11 meetings per school year at \$55.00 a meeting) and \$825 for the chair (equivalent to 11 meetings at \$75.00 a meeting). The school does not need to deduct withholding tax from payments up to these annual amounts.

Once a trustee's honoraria payments are more than the annual allowed exemption, the board is responsible for ensuring that withholding tax is deducted prior to payment.

Some boards prefer to pay its members their honoraria for meetings attended via a single payment at the end of the school year. This ensures any amounts liable to have withholding tax deducted are calculated correctly.

Example

Everhopeful board of trustees usually holds 11 board meetings a year and pays its members for each meeting at the rate up to the annual allowed exemption. This school year it decided to pay its trustees for 2 additional meetings. The board needs to ensure that withholding tax is deducted from amounts paid above the annual allowed exemption.

Where do I get advice?

The *Governance advisory and support centre* advisers can also assist and are contacted on 0800 782 435, option 1 or govadvice@nzsta.org.nz

