

HONORARIUMS: PAYING AND REPORTING THEM PROPERLY

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From time to time, churches and other charities may make a voluntarily payment to an individual in the following circumstances:

- as a fee for a service that is not formally invoiced;
- when the value of the service far exceeds what the charity can pay; or
- when an employee or volunteer is asked to do something beyond their normal duties.

A voluntary payment made under the above circumstances can meet the commonly understood criteria of being an honorarium.

This article is provided to assist those responsible for making such payments in assessing if

- the payment is actually an honorarium;
- the payment is reasonable and made under the direction and control of the charity; and
- any government reporting is required.

This article assumes the rules and procedures involved if the honorarium is paid to a Canadian taxpayer.



If an honorarium payment is made to non-Canadian individuals or organizations, a T4A-NR filing may be required. See [Chapter 20: Non-Resident Withholding Tax](#).

For readers seeking information about payments made by a charity that are not attached to a service rendered, please see the *CCCC Bulletin* article, [“Gifts of Appreciation to Charity Employees and Volunteers: What’s Taxable and What Isn’t?”](#)¹

The High-Level Rules

Charities are required by the *Income Tax Act* and the Canada Revenue Agency (“CRA”) to devote their resources (e.g., money) exclusively to charitable activities. The charity must exert direction and control over how it spends its money, whether the payment is budgeted from a charity’s general funds or raised by a one-time appeal or offering.

The following examples of honorariums, common to many CCCC Members, are provided as general guidance.

Straightforward Honorariums

Straightforward honorariums are voluntary payments made for services for which a formal invoice is not provided. Such situations involve guest speakers, workshop facilitators, clergy and non-clergy guest worship leaders, and others providing a one-time service to the charity for which the leadership feels a modest payment is warranted.

The payment is drawn from a budgeted amount and does not require a special appeal.

In these situations, the individual providing the services is considered to be “self-employed” (i.e., is not paid through payroll) and is expected to self-declare the money received in their tax filings.

Not-So-Straightforward Honorariums

These honorariums include a broad range of payments influenced by a charity’s traditions and the source of the money being used to make the payment. In some cases, these payments slip out of the honorarium definition but may still remain labelled as honorariums.

Below are some examples provided to help discern the boundaries.

THE SPECIAL (NOT BUDGETED) GUEST SPEAKER

Unforeseen opportunities can arise in which a charity brings in a non-budgeted guest speaker. Doing this may involve a special appeal or offering that includes the charity explaining that the money raised will cover a payment to the guest speaker. Making such an appeal is fine, as long the direction and control expectations are followed, as set out by CRA here:

- **Conduit:** This is “an organization that accepts donations for which it typically issues tax-deductible receipts and then funnels the money, without maintaining direction and control, to a non-qualified donee. Acting as a conduit violates the *Income Tax Act* and could jeopardize a charity’s registered status.”²

The practical application of this CRA definition is that the charity should have a predetermined cap on the honorarium based on the value of the speaker’s service, even if money raised is in excess of what’s needed to fund it, as would be addressed by the charity’s [Donor Restricted Gift Policy](#).³

CHARITY REPRESENTATIVE SPEAKER

Sometimes a speaker from one charity visits another charity to speak about their charity employer’s work as part of their job duties. They may provide updates on their charity’s activities and solicit gifts for their employer. A common example of this scenario is when a missionary makes a presentation in a church and requests financial support for their employer.

In brief, this situation reflects that the missionary is engaged in [deputized fundraising](#)⁴ and has been hired by their Canadian mission organization—in its capacity as a registered charity/qualified donee—to both raise funds for the organization and carry out its charitable program work.

The personalized nature of this fundraising may give the impression that the money raised is to support the missionary personally—via a “love offering” —and that an additional honorarium can be paid to the missionary by the church. This assumption raises two issues:

1. LOVE OFFERING

This is a frequently used term; in this context, it implies that the love offering that the church donors place on the collection plate is a personal gift to the missionary. The “love offering” term does not represent what is actually occurring when the missionary is fulfilling a job duty and the financial support being raised is for the missionary’s employer. If the employer is a qualified donee (i.e., a Canadian registered charity), the church can accept donations for the qualified donee organization, receipt them, and forward the money to the organization. The church will report this to the government in its annual CRA filings.⁵

2. UNDUE BENEFIT

If a charity representative is being compensated by their employer to do church presentations, a church’s payment of any honorarium in addition to that likely stems from its special relationship with that person (e.g., a missionary). Such a payment could arguably fall into the CRA definition of an “undue benefit”:

“Under the *Income Tax Act*, a registered charity cannot confer on a person an undue benefit (for example, a transfer of property [e.g. *money*] or other resources of the charity to a person who does not deal with the charity at arm’s length or who is the beneficiary of a transfer because of a special relationship with a donor or charity).”⁶

The church should consider, instead, sending the funds to the missionary’s employer to aid that organization in covering the missionary’s salary and the travel expenses associated with their fundraising work.

Note: If the missionary’s or any other representative’s employer is not a Canadian registered charity (i.e., it is a non-qualified donee), the process changes. Under the *Income Tax Act*, a charity is not allowed to receive, receipt, or send money to a non-qualified donee.

Instead, individuals can donate directly to the non-qualified donee charity⁷ or take a separate collection not to be handled by the church but instead to be entrusted to the representative or others for transfer to the non-qualified donee charity. If the representative is engaged in providing the charity with services other than fundraising for their employer (e.g., participating in worship-leading; leading a workshop), an honorarium may be acceptable in recognition of that specific service.

Volunteers

Volunteers may be asked or directed by a charity to do something beyond what would normally be expected of them. In these situations, if the charity determines that an honorarium is appropriate, such a payment can be made.

In other cases, an individual may be referred to as a volunteer even though they provide service to the charity that is regular or frequent in a year and involves an automatic honorarium payment. Some examples of such scenarios follow:

- A church provides honorariums to specialists (e.g., equipment operators) for rental events for which the church collects rental fees.
- A guest speaker begins to participate more frequently or regularly in church services (e.g., to assist with a pastoral vacancy).
- A charity has individuals who provide staff childcare for special meetings; serve at its various special events; or respond to call-ins for other charity needs.

In these cases, the church or charity should determine if the relationship has changed to one of employer and employee. If so, the individual is likely no longer a volunteer, who can be paid off-payroll with an honorarium; instead, they should be paid through payroll as an employee. For details on this, please see chapter 16 of CCCC's *Charities Handbook*, "[The Employment Relationship](#)."⁸

Employees

When a charity employer asks or requires an employee to perform a task beyond their normal job duty requirements, an additional payment may be considered. If this task is normally done by someone other than an employee and an honorarium is customary, it may be assumed that the payment for this task can be treated as an off-payroll honorarium to the employee as well.

However, CRA considers this to be an "irregular amount" payment, which is still related to the employer-to-employee relationship. Accordingly, this payment needs to be processed through payroll and is subject to statutory deductions (i.e., Canada Pension Plan contributions; Employment Insurance premiums; tax withholdings).⁹

Other Matters Associated with Honorariums

PRIVATE BENEVOLENCE IN GENERAL

In all the above examples, if individuals personally and directly give additional money to the honorarium recipient, that transfer of money comprises an act of private benevolence between them.

This private benevolence falls outside a charity's area of responsibility. It rests with the recipients to decide if they will accept it and, if so, to determine with their tax professional what tax reporting may be required.

PRIVATE BENEVOLENCE (EMPLOYEES AND LOVE OFFERINGS)

There are situations in which a charity (most commonly a church) will allow individuals to have their money collected for special occasions (e.g., at Christmas), where the money is not intended as gift to the charity but instead serves as the individuals' private group gift to a specific employee or for staff in general. This money is another variation of a "love offering," discussed above.

To keep this process completely transparent and to indicate that the money is not a gift to the charity, the charity should neither receive the money (i.e., not deposit it into its bank account) nor make entries into its books. Instead, the charity can work with individuals assigned by the private group to collect, count, and deliver the groups' gift to the intended recipients.

The money recipients will need to determine with their tax professional what tax reporting may be required.

A charity needs to be aware that any variation from the above process may result in its being seen as a conduit or as a provider of an undue benefit, as discussed above.

DIRECTED GIFTS

This is where the donor asks a charity to accept and receipt their gift, with the restriction that it must be passed on to a specific individual. This is another variation on the conduit discussion above and, as a directed gift, is specifically prohibited by CRA, as stated here:

"Did the donor ask for the gift to be directed to a specific person, family, or other non-qualified donee? A donor cannot choose a specific beneficiary for their gift or ask the qualified donee to give the gift to another non-qualified donee."¹⁰

REIMBURSEMENT ELEMENT

It can be beneficial if a charity and honorarium recipient predetermine if any portion of the payment may cover non-taxable reimbursable elements (e.g., travel expenses) and note that portion with the payment.

Honorarium Reporting to CRA

In general, a payment that is factually an honorarium is considered income from self-employment. It requires recipients to self-declare the payment as taxable income in their tax filings with CRA.

However, when the charity's honorarium payment(s) in the year to an individual recipient exceeds \$500, CRA additionally requires the charity to issue a T4A slip¹¹ for the service provided by the recipient.

Conclusion

The nature of a charity's payment to an individual and the reason that it was made determine the payment's status under the *Income Tax Act* and if there are any reporting requirements with CRA. We trust that this article provides guidance on

- determining how your charity's honorarium payments will be handled;
- handling payments that may have previously been considered honorariums but represent some other type of payment; and
- making the relevant tax filings with CRA, if required.

MEET THE AUTHOR



Gilbert Langerak