

1 April 2009

The tax benefits of making donations

A guide for donee organisations

There are tax benefits for individuals and companies that make donations to donee organisations. Individuals can claim a donation tax credit (formerly a donation rebate) and companies can claim a deduction in their income tax return.

Recently, the law was changed. In previous years, there were thresholds that limited the amount of the tax benefits claimable. From 1 April 2009, these thresholds no longer apply. In many cases, both individuals and companies making donations will now be better off.

What is a donation?

A "donation" is an unconditional gift of money made voluntarily to a charitable organisation, where there is no identifiable direct benefit to the donor or the donor's family.

What is a donee organisation?

You can find a list at www.ird.govt.nz under "Not for profit groups/Donee organisations".

Individuals

An individual who makes a donation of \$5 or more to a donee organisation can claim a donation tax credit after the end of the tax year (31 March). Claims must be supported with receipts.

Some donors can't claim a tax credit

The donation tax credit isn't available to absentees, companies, trusts, partnerships, and Maori authorities. However, some of these donors can claim an income tax deduction. Please see the "Companies" section over the page.

How much can be claimed?

For 2008-09 and future years, the tax credit is the lesser of:

- One-third of the donations made, or
- One-third of the donor's taxable income.

To see the maximum amounts that can be claimed for previous years and to read about how couples can share their receipts, go to www.ird.govt.nz and look under "Individuals & families/Income tax/What to do at the end of the tax year (31 March)".

How do individuals make a claim?

Those wanting to claim a donation tax credit must send us a *Tax credit claim form (IR 526)* at any time after 31 March. Receipts supporting the claim must be attached to the IR 526.

How do you get a claim form?

If an individual made a claim last year, we'll mail them a new form in April. Otherwise claimers can get a form at www.ird.govt.nz under "Forms and guides". Or they can call us on 0800 257 773.

How long does it take to get your tax credit?

Individuals should receive a notice confirming their tax credit within six weeks of filing their IR 526 claim form. We'll direct credit the money to the individual's bank account unless they have a debt with us, or they've asked us to transfer the money to another account.

Companies

If a company makes a donation to a donee organisation, the company can claim a tax deduction in its income tax return.

Other donors that can claim a deduction

In addition to companies, Maori Authorities and certain societies can claim a deduction for donations. "Certain societies" include friendly societies, building societies, and societies registered under the Incorporated Societies Act 1908, or the Industrial and Provident Societies Act 1908.

How much can be claimed?

For 2008-09 and future years, companies can claim a deduction for donations, up to a maximum claim equal to the company's net income calculated before taking into account the deduction.

Previously, the maximum deduction was equal to *5% of the company's net income* calculated before taking into account the deduction.

A further benefit for companies: the donation deduction has been extended to unlisted close companies (companies with five or fewer shareholders). Previously these companies couldn't make a claim.

How do companies make a claim?

A company claims a deduction in its annual income tax return (IR 4).

Donee organisations – rules for your receipts

You can help your donors claim for their donations by issuing valid receipts. A valid receipt must contain:

- the donor's name
- the amount and date of the donation
- a clear statement that the money paid was a donation
- the signature of an authorised person
- your official stamp.

If the donor has lost the original receipt, and you give them a replacement, please put the words "Copy" or "Replacement" on the replacement receipt.

Any questions?

Our website at www.ird.govt.nz has more details about donations and the tax benefits available to donors.