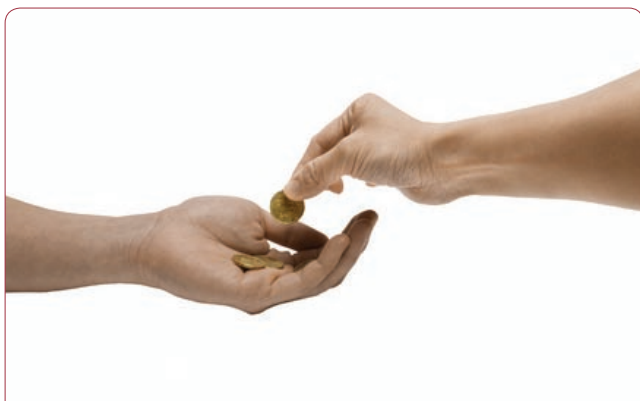


Making it easier to give: Information for corporate companies



Take Action Now

1. Spread the word. Talk to your colleagues about payroll giving in your workplace. You could decide to support something together or individually as long as it has Inland Revenue donee status. Without donee status you won't be able to receive the tax credit. You can check status at the Inland Revenue website (www.ird.govt.nz).

2. Visit Inland Revenue (www.ird.govt.nz), the Office for the Community and Voluntary Sector (www.ocvs.govt.nz), and the Charities Commission (www.charities.govt.nz) for more information about giving.

New Zealanders are naturally generous people. Each year an estimated 1.2 million of us volunteer our time and together we give more than \$1 billion a year to tens of thousands of organisations.

Giving time and money helps people and communities across the country. Recent changes to our tax rules have made it even easier and rewarding to give in meaningful ways to make New Zealand a better place.

These changes include:

- the introduction of payroll giving
- clarification of the tax treatment of reimbursement payments and honoraria to volunteers
- removing the caps on the donations tax credit for individuals, companies and Māori authorities.

These changes make it easier for business to implement or grow its commitment to social responsibility through providing tax incentives to employees.

This flyer has information on the tax changes, looks at how at they can be implemented and how they benefit business.



Payroll Giving

What is payroll giving?

Payroll giving is a voluntary scheme for both employers and employees. Employees in participating companies nominate a chosen donee organisation (one that has Inland Revenue approved status) to donate to each payday and receive an immediate 33.33 percent tax credit on the donation via PAYE. For example, if \$15 is donated, it costs the employee about \$10. There is a payroll giving calculator on the Inland Revenue website.

What are the benefits of payroll giving?

Donee organisations

Payroll giving is an efficient, low-cost way to raise funds and receive regular income support.

Employees

Payroll giving is immediate, simple and rewarding. People donating through payroll giving don't need to retain receipts and wait to file an annual claim form to get their donation tax credit. Payroll giving means the donation and the 33.33 percent credit happen immediately.

For example

Hannah makes a payroll giving donation of \$12 to her chosen charity. She is paid \$2,140.00 every four weeks. This is her only job so her tax code is "M". Before the tax credit is applied her PAYE (tax and ACC Earners' Levy) is \$435.48.

The tax credit for Hannah's payroll donation is \$3.99. Her employer applies the tax credit when working out Hannah's pay and Hannah's PAYE is reduced to \$431.49 for that pay period.

Income		\$2,140.00
less	PAYE	\$435.48
less	donation	\$12.00
plus	tax credit for payroll donation	\$3.99
equals	take home pay	\$1,696.51

Employers

Payroll giving creates a win-win opportunity for employers, employees and their communities. Through payroll giving, businesses are able to demonstrate their commitment to their customers, clients and communities in a practical way. Because payroll giving is voluntary, employers have the choice of whether to offer the scheme.

Research in countries with established schemes shows that payroll giving provides significant benefits to employers including:

- increased employee morale and retention
- an improved social responsibility profile
- stronger partnerships with the community.

Payroll giving is an easy way for corporates to generate an ongoing return on investment. For an initial upfront effort to set up the administrative system, your business gains an increased reputation for giving through enabling your employees to donate to charity and receive immediate tax credits.

How do businesses become involved in payroll giving?

There are several steps you can take to set up payroll giving in your business:

1. Speak to your payroll management provider about providing payroll giving;
2. Ask employees if they want to be involved in payroll giving and outline how it works;
3. Before choosing an organisation, donors need to check that it has Inland Revenue-approved donee status www.ird.govt.nz/donee-organisations;
4. It is advisable to put some guidelines together so you can manage employees' expectations around how often they can change their chosen charity or donation amount, for example, limit changes to a set number per year;
5. Read the payroll giving guide IR617 on the IRD website www.ird.govt.nz.



Removing the caps on the donations' tax relief

The caps have been removed on the tax credits for donations given to donee organisations.

What do the changes mean for business?

Businesses are now entitled to a deduction for all donations made to donee organisations up to the total amount of their net income.

What does this mean for individuals?

Individuals can now claim a tax credit of one third (33.33%) of all donations they make up to the level of their annual taxable income. That means that for every \$1 given as a donation people get 33 cents back. If people make donations directly (i.e. not through payroll giving) to an approved donee organisation and have the receipts, they can claim them on the Tax credit claim form (IR526).

ANZ New Zealand – Corporate giving

ANZ New Zealand is one of the country's leaders in payroll giving, with more than 1,300 staff members contributing regular amounts from their after tax salaries and wages. These contributions are matched dollar for dollar by ANZ and go to their charitable trust, the Staff Foundation New Zealand.

Since its inception in 2002, the Staff Foundation has been involved in the distribution of more than \$1.4 million in community grants to over 300 charities and community projects.

Corporate Responsibility & Community Manager Nadene Hawley says the scheme works extremely well as it's a great way for staff to support their local community. Members are encouraged to nominate local community initiatives for grants. As each application for funding must be supported by a member, staff have a say in which projects are considered. It's also an easy way to give. By giving through the Staff Foundation, people are able to support a variety of causes in communities throughout New Zealand.

A staff elected advisory board meets quarterly to assess applications and determine funding outcomes, and gives out around 80 grants a year of mostly between \$1,000 and \$10,000.

"Staff members nominate groups they are involved in or have contact with so every grant is staff driven. All applications to the Staff Foundation must have the support of an ANZ New Zealand staff member to be eligible for consideration," says Nadene.

The focus tends to be on local projects that meet the objectives of the foundation and benefit a broad sector of the community, such as funding an activity day for the elderly, training phone based volunteers on youth help lines, youth camps, etc.

Currently the donations are deducted from after tax income and staff members can claim the tax credits annually. ANZ New Zealand is exploring options to develop systems and processes to reflect the new payroll giving changes and enable donations to be taken from pre-tax income.

ANZ New Zealand chose to set up a Staff Foundation but this is not essential for corporate payroll giving.



Clarifying the tax treatment of volunteer payments

Volunteers may:

- be reimbursed for any expenses they have from their voluntary activities
- receive an honorarium (payment made for services where no fixed payment would normally be made)
- receive a combination of both reimbursement and honorarium.

What are the rules for volunteer reimbursements?

Volunteers often incur expenses in the course of their “work”, such as travel and meal costs, buying special clothing, using their own telephone and so on. Reimbursements can be:

- for actual expenditure
- based on a reasonable estimate of expenditure likely to be incurred.

The reimbursement may be in a non-cash form, such as petrol or meal vouchers. To further recognise the value of volunteers in our community, reimbursement for these expenses are treated as tax-free, and so do not have to be included as income in tax returns.

What are the rules around honoraria?

Honoraria are schedular payments (formerly called “withholding payments”). This means PAYE rules apply and the payments are taxed. If you pay honoraria to:

- an employee, use the PAYE calculator to work out the amount of tax
- someone who is not an employee, the payment is taxed at a flat rate.

If the payment is partly honoraria and partly reimbursement of expenses and the different amounts are clearly identified and recorded, the honoraria will be taxable income and the reimbursement will be tax-exempt income. If there is no distinction between the honoraria and the reimbursement, the entire payment is treated as honoraria and therefore taxed.

For more information refer to Inland Revenue’s website www.ird.govt.nz.

