

# Making it easier to give to health organisations



## Take Action Now

- 1. Get accredited** to receive payroll donations. Visit the Payroll Giving website ([www.payrollgivinginfo.org.nz](http://www.payrollgivinginfo.org.nz)) for more details.
- 2. Send this flyer** out to your donors and those businesses that support you.
- 3. Give this flyer** to your volunteers and make them aware that expense reimbursements are tax free.
- 4. Create a payroll giving request** form for download from your website.
- 5. Double check** you have donee status with Inland Revenue. Without it donors can't receive a tax credit.
- 6. Visit Inland Revenue** ([www.ird.govt.nz](http://www.ird.govt.nz)), the Office for the Community and Voluntary Sector ([www.ocvs.govt.nz](http://www.ocvs.govt.nz)) and the Charities Commission ([www.charities.govt.nz](http://www.charities.govt.nz)) for other information.

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.

The changes have the potential to benefit many health groups by creating opportunities for sustained, cost-effective giving, as well as lasting relationships. In an environment where the nonprofit sector is competing for heartstrings and purse strings, the tax changes help provide a level playing field.

This flyer includes information on the tax changes and looks at how nonprofit health organisations can take advantage of these changes.



# Payroll Giving

## What is payroll giving?

Payroll giving is a voluntary scheme for both employers and employees. Employees make donations directly from their pay packets and receive immediate tax credits via PAYE.

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. 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.

### 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. It is only available to employers who electronically file their employer monthly schedule and deduction form.

## How does my organisation become involved in payroll giving?

An entity needs to be approved by Inland Revenue as a donee organisation to be eligible to participate in payroll giving.

If your organisation is already registered as a charity with the Charities Commission and indicated that donations are a source of income on the application form, this information would have been passed on to Inland Revenue to consider assigning donee organisation status.

You can check if you are on the approved donee organisations list at Inland Revenue's website [www.ird.govt.nz/donee-organisations/](http://www.ird.govt.nz/donee-organisations/). If you are not on the donee list you can apply in writing to Inland Revenue.

## What to do now

- **Promote your organisation to potential donors**  
Inland Revenue's list of donee organisations does not include contact details or other information. When promoting your centre, you may wish to refer people to your own website. You are encouraged to spread the news of payroll giving to your centre families, networks and current donors.
- **Establish a system for issuing payroll giving summaries**  
This is not compulsory but it is recommended that donee organisations issue a payroll donation summary to the employer for their business records. The individual donor doesn't need receipts for donations made through their payroll because their pay slip will show all the details.
- **Offer payroll giving to your own employees**  
Be one of the first to offer payroll giving options to your employees – it will help you get to grips with how it works and you'll gain an appreciation of what is involved in setting it up.
- **Keep donors informed**  
Consider how you will keep payroll givers informed about how their donations are used by your organisation.



# 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. The donation deduction also applies to unlisted close companies (companies with five or fewer shareholders). There are approximately 155,000 businesses active close companies.

## 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).

## CanTeen

CanTeen supports young New Zealanders aged 13-24 living with cancer, and has strong relationships with a number of corporate partners and individual donors.

The organisation does not receive any government funding and is totally reliant on the generosity of individuals, the community and its fundraising partners.

Brad Clark, CanTeen's General Manager, Marketing and Fundraising, said CanTeen's corporate partners found there were major benefits to having a tangible link with a high profile charitable brand.

The organisation's major corporate partner is Pams and it partners with Foodstuffs retailers New World, PakNSave and Four Square, particularly for the CanTeen Bandanna Challenge. It also has relationships with ASB Bank, Burger King, BP, Farmers, Repco and Radius Pharmacies.

"Our philosophy is that we are in boots and all. We don't just have our hands out. We want these organisations to get benefits from these projects," he said.

"The potential of increased income streams from the lifting of tax caps for business and payroll giving schemes could have profound effects on the work we are able to do."



# Clarifying 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 voluntary 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, and can be made progressively as expenses are incurred or as a period lump sum.

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.

Tax-free reimbursement payments may also be made to volunteers who are non-residents such as a holidaying visitor. These people will not be required to file a New Zealand tax return, as long as they receive no other New Zealand income.

## 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.

Organisations are encouraged to make the distinction, such as through separate payments, so volunteers do not pay tax on reimbursements.

For more information refer to Inland Revenue’s website [www.ird.govt.nz](http://www.ird.govt.nz).