

Giving is Now Worth More!

Changes to our tax rules are set to encourage a stronger culture of giving and generosity in New Zealand. The new laws which are effective from the 2008/2009 year **make it easier for Individuals, Companies and Maori Authorities to give.**

To get the level of services our communities need, we must sustain a culture where the giving of time and money is valued and recognised as an important social and economic contributor. Taking advantage of these amendments is just one of the tools we can use to build the social fabric of our society.

What it means for Individuals

- The \$1,890 threshold for which individuals can claim a rebate for cash donations to donee organisations has been removed.
- Individuals will be able to claim a rebate of one-third (33.33%) of all donations they make, limited only by the level of their annual taxable income.

For example:

Indira donates \$3,000 to various charities and other non - profit organisations, including her local church. Her taxable income for the 2009 year (1 April 2008 - 31 March 2009) is \$35,000.

In the past Indira could only claim a maximum of \$630. With the removal of the threshold, Indira will now receive \$999.90 (3,000 x 33.33%), a gain of \$369.90.

For Indira to claim her rebate she will need to complete the Rebate claim form (IR526). Indira will need to include her receipts from the approved charitable organisations with her rebate claim form.

What it means for Companies

The 5% limit on deductions that companies can claim for cash donations has been removed.

- Companies will be entitled to a deduction for all donations made to donee organisations, limited only by the amount of the company's net income.
- The donation deduction is also being extended to unlisted close companies (companies with five or fewer shareholders).

For example:

Company Ltd is a publicly-listed company. In the 2009 tax year (1 April 2008 - 31 March 2009), Company Ltd supported the local community charities, donating \$20,000. Company Ltd's net income before taking into account its donations was \$200,000.

Under the old rules, Company Ltd is entitled to a tax deduction of \$10,000.

Under the new rules, the full \$20,000 can be deducted. The tax deduction will be included in the company's income tax return (IR4).

What it means for Maori Authorities

- The 5% limit on deductions that Maori Authorities can claim, for cash donations to donee organisations and Maori associations has been removed.
- Maori Authorities will be entitled to a deduction for donations made to donee organisations, limited only by the amount of their net income.

The change will operate in exactly the same way as the change to the company deduction and the donation deduction will be included in the Maori Authority's income tax return (IR8). For more information refer to Inland Revenue's website www.ird.govt.nz

