

Making it easier to give to schools



Take Action Now

- 1. Check your school** has donee status with Inland Revenue. Without it, donors can't receive a tax credit. You can check this on the Inland Revenue website (www.ird.govt.nz).
- 2. Get your school and bank account verified** - it makes it much easier for employers to offer payroll giving for your organisation. For more information visit the Payroll Giving website (www.payrollgivinginfo.org.nz).
- 3. Send this flyer** to those businesses and individual donors who support you.
- 4. Give this flyer** to your volunteers, to inform them that reimbursements for expenses they incur while volunteering are now tax free.
- 5. 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.

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.

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.

This flyer includes information about the tax changes and looks at how state and state integrated schools can take advantage of these changes.

Independent schools can charge fees so their donations and fees schedule will depend on the contracts they have with their families.



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.

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 occur 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 school become involved in payroll giving?

State and state integrated schools or their boards of trustees automatically have approved Inland Revenue donee organisation status and so are eligible for payroll giving.

What to do now

- **Promote your school to potential donors**
When promoting your school, you may wish to refer people to your own website. You are encouraged to spread the news of payroll giving to your student families, networks, old boys / girls 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 and that they have already received their tax credits.
- **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 your work as you may not know their names and contact details. If employers don't provide this information about your donors, contact them and help them develop ways to do so. The Ministry of Social Development provides a schedule of who has donated with every donation. E-mail payroll_giving@msd.govt.nz to find out more.



Removing the caps on the donations' tax relief

Caps have been lifted on the tax relief for donations given to schools and other nonprofit organisations.

State and state integrated school fees qualify as donations, provided the fees go to the school's general fund.

Payments that provide a direct benefit to the student are not classed as donations, for example: woodwork fees, camp fees, payments for a school trip, and tuition fees.

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).

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).

Letter to parents / caregivers

Some schools have already sent letters home to parents / caregivers, explaining the giving tax changes and how this applies to school donations.

If your school hasn't done this yet, it may be worth communicating with parents. The letter could outline:

- The removal of the tax relief cap and the fact all donations / contributions are now eligible for tax credits
- The requested school contributions / donations that are eligible for tax credits
- The compulsory fees that are not tax deductible e.g. activity fees, individual course tuition fees, materials costs and transport fees
- How parents / caregivers can pay for donations / fees e.g. cash, cheque, automatic payment, internet banking or eftpos, in lump sum or monthly, fortnightly or weekly payments or via payroll giving
- How / when the school will issue receipts for tax claims.



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, 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.