

Making it easier to give to social service providers



Take Action Now

1. **Get accredited** to receive payroll donations. Visit the Payroll Giving website for more details (www.payrollgivinginfo.org.nz).
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), the Office for the Community and Voluntary Sector (www.ocvs.govt.nz) and the Charities Commission (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.

Recent changes to our tax rules have made it even easier for people and businesses to donate time and money to nonprofit organisations. The 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 Social Service providers by creating opportunities for sustained, cost effective giving, as well as lasting relationships.

This flyer includes information on the tax changes and looks at how nonprofit social service providers 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 they 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. Done well, it is an effective way of increasing profile for recruitment and reputational purposes. There are also benefits around employee morale and engagement, with the flow-on benefits for customer service, productivity and retention.

How does my organisation become involved in payroll giving?

To be eligible for payroll giving, an entity must be approved by Inland Revenue as a donee organisation. You will find the qualifying criteria in the Inland Revenue booklet Charitable Organisations (IR255) or download the PDF at www.ird.govt.nz.

If your service is registered as a charity with the Charities Commission and indicates 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.

What to do now

1. Promote your organisation to potential donors

Inland Revenue's list of donee organisations does not include contact details or other information. When promoting your organisation, you may wish to refer people to your entry on the Charities Register if you have one. Check your details on the register to ensure they are all up to date and correct. You are encouraged to spread the news of payroll giving to your networks, to current donors and to the media.

2. 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 pay because their pay slip will show all the details and they have already received their tax credits.

3. Offer payroll giving to your own employees

If your organisation employs staff, 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.

4. Keep donors informed

Consider how you will keep payroll donors informed about your work as you may not know their names and contact details – perhaps you need a newsletter for people to sign up for, a Facebook page or posters for workplaces? If existing donors switch over to payroll giving – offer them a way to stay 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 does this mean for individuals?

Your donors 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 they give as a donation, they get 33 cents back. If they have made donations directly (i.e. not through payroll giving) to an approved donee organisation and they 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). There are approximately 155,000 active close companies in New Zealand.

Payroll giving – another tool in the box

Registered charity, CCS Disability Action, which employs about 800 people and provides disability support to more than 6,500 disabled people and their families each year, has some well tailored giving arrangements with businesses and individuals that suit community needs.

Whitestone Taxis in Oamaru is a case in point. If a passenger mentions being referred to the taxi company from CCS Disability Action, then a percentage of the fare is given to the charity.

Chief Executive Officer Viv Maidaborn says this is a win-win-win for the charity, the taxi company and people with disabilities.

"It fits in with the company's business – to take people places, including disabled people. As an organisation, Whitestone wants to support us and the arrangement also helps the word-of-mouth marketing of the business itself. It's a very local agreement that works extremely well."

Viv acknowledges that payroll giving and the other tax changes provide a big opportunity to make giving the rule rather than the exception in our society.

"Fundraisers need to grasp this opportunity and make the most of it to further engage with businesses and individuals," she says.



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)
- a combination of both reimbursement and honorarium.

What are the changes to 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 lump sum.

To further recognise the value of volunteers in our community, reimbursements for these expenses are treated as tax-free and do not have to be included as income in a tax return.

These reimbursement payments may be made volunteers who are non-residents, such as a holidaying visitor. They 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 these 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.

