

Making it easier to give to tertiary and research institutes



Take Action Now

- 1. Check the organisations** you are working with have 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. Encourage organisations** to verify themselves - 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 that you are working with.
- 4. Give this flyer** to any volunteers to inform them that reimbursements for expenses they incur while volunteering are now tax free. There are information packs for different audiences at the Office for the Community and Voluntary sector website (www.ocvs.govt.nz).
- 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 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.

This brochure includes information about the tax changes and looks at how nonprofit tertiary and research institutes 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.

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 organisation needs to be approved by Inland Revenue as a donee organisation to be eligible to participate in payroll giving. Being on the Charities Register does not automatically qualify a group as a donee organisation because only Inland Revenue approves donee status.

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 will be passed on to Inland Revenue and it will automatically consider 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/. 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 group, 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.
- **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 they have already received their tax credits.
- **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.
- **Keep donors informed.**
Consider how you will keep payroll givers informed about your work because you 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?

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 in cash. 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). There are approximately 155,000 businesses active close companies.

The Chartered Institute of Logistics and Transport

The Chartered Institute of Logistics and Transport in New Zealand Inc. provides an authoritative voice for over 1200 practitioners in the transport and logistics industry.

CILT NZ appoints trustees to the Transport Research and Educational Trust Board, which makes grants available to individuals and organisations for transport projects, including logistics. The board looks for projects that promote, encourage and co-ordinate the study and advancement of the science of transport in New Zealand.

Trust Board chair Peter Goodwin says the Board recently launched a new charitable fund, Inspire, to be an innovative and inspirational careers foundation to support career development and promote excellence in transport, logistics and supply chain management.

"Inspire will provide funding towards scholarships and bursaries for professional education, mentoring and assistance towards the purchase of books and other educational material. The recipients and all CILT members will benefit from the fund – through the contribution to industry best practice."

As the Board is a registered charity in New Zealand, donations by individuals and organisations will be eligible for tax refunds. Donors will have the option of making one-off payments, nominating the Trust in their payroll giving scheme, making regular monthly or annual payments, or by making bequests.

"All donations to the fund will be invested by the Trustees, and generally only the income from the fund, after allowing for inflation, will be distributed among the applicants chosen by the Trustees. In this way, the capital sum will be maintained for the long term."



Clarifying the tax treatment of volunteer payments

Volunteers may:

- be reimbursed for any expenses they have from their voluntary activities and/or
- receive an honorarium (payment for services where no payment would normally be made).

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 periodic 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 and 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 entire payment is treated as honoraria and therefore taxed. Organisations are encouraged to make the distinction.