



# Charitable Donation Scheme



Charitable giving offers many benefits to donors and to the wider community. The Irish tax system contains a range of incentives aimed at facilitating and encouraging charitable giving by individuals and companies, which help to ensure that charities receive the maximum benefit from public and private donations.

*This briefing outlines the tax relief available for donations (made after January 2013) by both individuals and companies*

## WHAT DONATIONS QUALIFY FOR TAX RELIEF?

- The minimum donation in any single year of assessment or accounting period that must be made to any one approved body must be of a value of at least €250 (in the form of money or designated securities, or a combination of money and designated securities).
- Cash donations made in instalments (e.g. Standing Order) also qualify.
- The maximum qualifying donation amount for individuals in a year of assessment is €1m.
- Where there is an association between the donor (being an individual) and the approved body at the time the donation is made, e.g. where the donor is an employee or member of the approved body, the relief will be restricted to 10% of the total income of the individual for the relevant year of assessment.
- The recipient is either an eligible charity or another approved body.
- A donation must also satisfy the following conditions:
  1. it must be in the form of money or designated securities or a combination of money and designated securities,
  2. it must not be repayable,
  3. it must not confer any benefit on the donor or any person connected with the donor,
  4. it must not be conditional on, or associated with, any arrangement involving the acquisition of property by the approved body.

## INDIVIDUALS

A donation which satisfies the conditions of section 848A is grossed up at the specified rate (currently 31%) and the approved body is deemed for the purposes of the relief to have received the grossed up amount net of tax deducted at the specified rate.

### *Example:*

Joan makes a cash donation of €1,000 to an approved body in the tax year 2013.

Under the Tax Relief Scheme the body is deemed to have received a donation of €1,449.27 (i.e. €1,000 grossed up at 31%) less tax deducted of €449.27.

On the assumption that Joan has paid income tax for 2013 of at least €449.27, the approved body can obtain a refund of that amount from Revenue after the end of the tax year.

## CORPORATE DONATIONS

In the case of corporate donations, the company claims a deduction for the donation as if it were a trading expense or an expense of management; there is no grossing up arrangement in this case.

### *Example*

Company X donates €1,000 to an approved body. Assuming a corporation tax rate of 12.5%, relief to the company is €125, i.e. €1,000 @ 12.5%.

While the approved body has the benefit of €1,000, the cost to the company of making the donation is only €875 (€1,000 - €125).

The company will simply claim a deduction for the donation as if it were a trading expense or an expense of management, there is no grossing up arrangement and therefore no repayment claim by the approved body arises.

Further Details and Relevant Forms are available on our website at: [www.oconnellandassociates.ie](http://www.oconnellandassociates.ie)

(or Quicklink: <http://bit.ly/RhyMEk>)

If you would like to receive more information on this scheme,  
please don't hesitate to contact us on:

Tel: **01 5330814** or

Email: [kieran@oconnellandassociates.ie](mailto:kieran@oconnellandassociates.ie)

## Summary - Key Features of the Scheme:

The tax refund for donations from all donors regardless of their tax status (PAYE or Self-assessed) will now go to the charity in all cases at a blended rate of 31%. Charities no longer need to ask donors about their tax affairs and the only reason that a refund claim will be rejected is if the donor has not paid sufficient tax in the relevant year to cover the reclaim or inaccurate details have been supplied.

The qualifying donation threshold is €250 and must still meet the condition of being given at arms-length with no strings attached i.e. there can be no benefit to the donor.

The tax relief will now be given at a blended rate of 31% regardless of the rate of tax paid by the donor and this will be on a grossed up basis.

An annual limit of €1 million per individual can be relieved under the revised scheme and donations under the scheme are no longer subject to the higher earner restriction because the tax refund goes to the charity in all cases, not to the donor.

In the case of a donor who is “**associated**” with the charity (employee, board member, member etc) the limit for tax relief on donations to a maximum of **10% of annual income** continues to apply.

Donors can sign the approved certificate/form to cover qualifying donations over a five year period using the new CHY3 enduring form or if they prefer for one year using the CHY4 annual form. In each case they are giving the charity permission to claim a tax refund on the donation/donations of €250 or more during the period covered by the form.

Each form requires that the donor fills in their PPS number and signs the declaration form which the charity must retain for audit purposes, subject to data protection rules on security. However, renewal of both forms has been made much easier and can be done by donors online, by phone (recorded message NOT a note of the call), by text, email or letter removing the need for donors to send charities signed forms every year. The charity is required to maintain a verifiable record of renewals that may be audited by Revenue at any time.

The filing of tax refund claims by charities on all donations from 1<sup>st</sup> January 2013 can be made using the Revenue Online Service (ROS) beginning in January 2014. All charities that have made tax refund claims under the scheme in the last four years will automatically be issued with a ROS number in the coming months.

The timing of the refunds for particular donors will depend on when their annual tax liability has been settled with Revenue in the case of PAYE donors that will usually be the end of February each year and for self-assessed donors the end of November. The online system will flag the tax status of donors and once the tax is received the refund to charities will be automatic.