

## The Duke of Edinburgh's Award in Australia



### National Policy

Policy Topic	TAX DEDUCTIBLE GIFTS AND TAX DEDUCTIBLE CONTRIBUTIONS FUNDING
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Dates	
Review Date	

#### Purpose of the Policy:

This policy provides guidance on the topic of tax-deductible donations and other financial donations. The Company recognises the importance of national co-ordination in encouraging and distributing donations.

The Friends' of the Duke of Edinburgh's Award in Australia Inc (ABN: 85 021 371 716) has Deductible Gift Recipient Status (DGR). **It is only through the Friends that contributions to the Australian Award Program may be eligible for taxation concessions.**

This policy should be read in-conjunction with Policy 2.3, "The Friends of The Duke of Edinburgh's Award in Australia Inc."

#### Policy:

- (1) The National Award Authority recognises The Friends of the Duke of Edinburgh's Award in Australia Inc. as the only vehicle in this country for the receipt of tax-deductible gifts and tax-deductible contributions.
- (2) The National Award Office is to assist and direct enquiries regarding donations to The Friends of The Duke of Edinburgh's Award in Australia Inc. or if more appropriate, to a State Award Office/State Friends.
- (3) Donors are to be invited to express a preference for the allocation or use of their donation. The National Award Office to liaise with The Friends of The Duke of Edinburgh's Award in Australia Inc. regarding their list of current options and priorities.
- (4) Divisions holding fundraising events may choose to offer the opportunity for guests to make a gift or a tax-deductible contribution. **In all cases the arrangements require prior approval by the Friends.**

- a. Guests must be provided with a statement that the discretionary gift and/or the tax-deductible contribution are for the Friends of the Duke of Edinburgh's Award in Australia (ABN: 85 021 371 716). If a tax deductible contribution is sought, the function and ticket prices **must** meet the ATO conditions.
- b. Divisions must also comply with any state/territory fundraising legislation.
- c. State and Territory Divisions may be able to access funding from the Friends' of the Duke of Edinburgh's Award (the DGR), however where money or other property is transferred to a DGR on condition that it is passed onto a particular organisation or event, the tax deductibility of the donation may be affected.
- d. Donors can make a request that the gift be directed to a particular organisation. Such arrangements will not prevent the payment from being a gift provided that the DGR (the Friends):
  - i. obtains in its own right the full value or benefit of the property donated; and
  - ii. is empowered and has absolute discretion whether or not to distribute the property to those organisations nominated by the giver.

National Chairman

## **The Duke of Edinburgh's Award in Australia – Tax Deductibility Requirements**

The Friends' of the Duke of Edinburgh's Award in Australia Inc (ABN: 85 021 371 716) has Deductible Gift Recipient Status (DGR).

The objects and specific powers of the association are:

- (a) To promote, support and assist the operation of the Duke of Edinburgh's Award in Australia by providing expertise, advice, facilities and finance.
- (b) To assist the Award Program by undertaking fund raising and other activities for specified projects or events associated with the aims of the Award.
- (c) To accept gifts or grants of real or personal property (whether subject to a trust or not), for any of the objects of the association.
- (d) To invest any money of the association not immediately required.
- (e) To improve community awareness of the aims and activities of the Award Program.
- (f) To administer and manage trust funds and property held in trust.

**It is only through the Friends that contributions to the Australian Award Program may be eligible for taxation concessions.**

Briefly there are two main ways in which contributions may be tax deductible.

1. Gifts
2. Tax Deductible Contributions

Divisions holding fundraising events may choose to offer the opportunity for guests to make a gift or a tax-deductible contribution. **In all cases the arrangements require prior approval by the Friends.** Guests must be provided with a statement that the discretionary gift and/or the tax-deductible contribution are for the Friends of the Duke of Edinburgh's Award in Australia (ABN: 85 021 371 716). If a tax deductible contribution is sought, the function and ticket prices **must** meet the ATO conditions.

Divisions must also comply with any state/territory fundraising legislation.

State and Territory Divisions may be able to access funding from the Friends' of the Duke of Edinburgh's Award (the DGR), however where money or other property is transferred to a DGR on condition that it is passed onto a particular organisation or event, the tax deductibility of the donation may be affected.

Donors can make a request that the gift be directed to a particular organisation. Such arrangements will not prevent the payment from being a gift provided that the DGR (the Friends):

- obtains in its own right the full value or benefit of the property donated; and
- is empowered and has absolute discretion whether or not to distribute the property to those organisations nominated by the giver.

## WHAT IS A GIFT?

Gifts have the following characteristics:

- there is a transfer of money or property
- the transfer is made voluntarily
- the transfer arises by way of benefaction, and
- no material benefit or advantage is received by the donor.

Not all payments to DGRs are gifts. For example, the following payments are **not** gifts:

- purchases of raffle or art union tickets
- purchases of chocolates, pens etc
- the cost of attending fundraising dinners, even if the cost exceeds the value of the dinner
- membership fees
- payments to school building funds as an alternative to an increase in school fees, and
- payments where the person has an understanding with the recipient that the payments will be used to provide a benefit for the 'donor'.

### EXAMPLE

Sally buys a clock at a charity auction. This is not a gift even if Sally has paid a lot more than the value of the clock (However refer tax deductible contributions)

### EXAMPLE

William attends a Christmas concert. He buys his admission ticket for \$10. On the night, he also makes a voluntary donation of \$70. The \$70 is a gift but the \$10 is not.

## TYPE OF GIFT

This gift type covers gifts of money, including foreign currency. The money may be paid in various ways, including by cash, cheque, credit card or electronically.

The gift to a deductible gift recipient (DGR) must be \$2 or more. A series of gifts made to a DGR in an income year may be aggregated to work out if the gift is \$2 or more.

## WHAT RECORDS ARE REQUIRED?

Donors should keep records of all their deductible gifts including:

- the date the gift was made;
- the name of the DGR to which the gift was made;
- the amount of the gift.

Donors should ask for receipts from authorised collectors when making gifts to DGR's and keep the receipts with their other tax records.

DGR's are not required by the income tax law to issue receipts for deductible gifts, but any receipts they issue must specify:

- that the receipt is for a gift;
- the name and the business number (ABN) of the DGR.

## TAX DEDUCTIBLE CONTRIBUTIONS

Contributions made by individuals to DGRs in relation to DGR fundraising events such as fetes, balls, gala shows, dinners and charity auctions may be tax deductible.

Certain deductible gift recipient (DGR) fundraising events encourage contributions, which may at the same time extend minor benefits to the contributor. As a benefit is received in return, the contributor is not entitled to claim the contribution as a tax-deductible gift.

From 1 July 2004, contributions made by individuals to DGRs in relation to DGR fundraising events such as fetes, balls, gala shows, dinners and charity auctions may be tax deductible.

To be deductible, a contribution must meet several requirements:

- the contribution must be made to a DGR for:
  - a right to attend or participate in a fundraising event in Australia, or
  - the purchase of goods or services as a successful bidder at an auction that is, or is at, a fundraising event in Australia
- the contribution must be more than \$250 (and can include certain property contributions)
- the GST inclusive value of the right or the goods or services (the benefit) must not exceed the lesser of \$100 and 10 per cent of the value of the contribution
- the contribution must satisfy any gift conditions relating to the DGR as though it was a gift, and
- the contribution must be made by an individual.

### Example 1

Jess pays \$260 to attend a charity golf game hosted by a DGR. The market value of an 18-hole golf game is \$20. Jess will be eligible to claim a tax-deductible contribution of \$240 (\$260 - \$20) as the market value of the golf game (the minor benefit received) does not exceed the lesser of \$100 and 10% of the market value of her contribution (\$26).

### Example 2

Bernie buys a ticket for \$400 to a gala performance organised by a DGR. The gala performance has a ticket price on the open market of \$100. Bernie cannot claim any deduction as the market value of the performance – which is the benefit he receives in return for his contribution of \$400 – is more than 10% of the value of his contribution (\$40), even though it is not more than \$100.

### Example 3

Julie makes a successful bid at a DGR's charity auction. Julie will be eligible to claim a tax-deductible contribution if she pays for the article in cash and it meets all the other conditions required for tax-deductible contributions eg the "prize" was not valued at more than \$100 or more than 10% of the winning bid and that Julie paid more than \$250.

#### **Example 4**

William pays \$500 to attend a charity dinner hosted by a DGR. The market value of the dinner is \$150. William will not be eligible to claim a tax-deductible contribution as the market value of the dinner exceeded \$100.

**HOWEVER** if the cost of providing a fundraising dinner, for example, is more than \$100, there can be an opportunity for dinner guests to make a discretionary gift to the DGR. For example the cost (to the organisers) of the dinner is \$140 and the ticket price is \$150. Guests must pay the \$150 to attend the dinner. However they can also choose to tick a box indicating an additional discretionary amount (or can fill in another amount themselves) as a gift to the DGR.

#### **Example 5**

Acme Consolidated Industries pays \$2,000 for a table of eight at a gala fundraising dinner hosted by a DGR. The market value of the dinner is \$75 per head (\$600). It will not be eligible to claim a tax-deduction for the difference (\$1,400) as the contribution must be made by an individual, not a company.

#### **WHAT RECORDS ARE REQUIRED?**

Contributors will need to keep records of their deductible contributions.

DGR's are not required by the income tax law to issue receipts for deductible contributions, but any receipts they issue must specify:

- the name and the business number (ABN) of the DGR
- the fact that the contribution is made in return for a right to attend a specified fundraising event, or for the purchase of goods and services at a fundraising auction;
- the amount of the contribution – if the contribution is money; and
- the value of the minor benefit (in respect of attendance at a fundraising event and/or the purchase of goods or services at a fundraising auction) provided by the DGR in return for the contribution. The minor benefit must include the GST and should be recorded on the receipt as 'GST inclusive market value'.