

# Making it easier to give to registered charities



## Take Action Now

- 1. Check your organisation 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](http://www.ird.govt.nz)).
- 2. Get your organisation 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](http://www.payrollgivinginfo.org.nz)).
- 3. Send this flyer to those businesses and individual donors** that support you.
- 4. Give this flyer to your volunteers**, to inform them that reimbursements for expenses they incur while volunteering are now tax free.  
  
There are information packs for different audiences, including Maori, arts, sports and recreation and education organisations, at the Office for the Community and Voluntary Sector website ([www.ocvs.govt.nz](http://www.ocvs.govt.nz)).
- 5. Visit Inland Revenue** ([www.ird.govt.nz](http://www.ird.govt.nz)), the Office for the Community and Voluntary Sector ([www.ocvs.govt.nz](http://www.ocvs.govt.nz)), and the Charities Commission ([www.charities.govt.nz](http://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 to tens of thousands of organisations.

Giving time and money helps our people and communities. 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 caps on the donations tax credit for individuals, companies and Māori authorities.

These changes have the potential to benefit all Tangata Whenua, and community and voluntary groups by creating opportunities for sustained, cost-effective giving and forging lasting relationships. In an environment where the nonprofit sector is competing for heartstrings and purse strings, the tax changes help provide a level playing field.

This kit includes information about the tax changes and explains how registered charities can take advantage of the new regulations.

[www.payrollgivinginfo.org.nz](http://www.payrollgivinginfo.org.nz)



# Payroll Giving

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## What is payroll giving?

Payroll giving is a voluntary scheme for employers and employees. Employees in participating companies donate to a chosen donee organisation (one that has Inland Revenue approved status) each payday and receive an immediate 33.33 percent tax credit via PAYE on the donation. For example, if \$15 is donated, it actually 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.

**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 works for employers, employees and their communities. By enabling payroll giving, businesses demonstrate their commitment to their customers, clients and communities in a practical way.

## How does my organisation become involved in payroll giving?

A charity 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 your charity as a donee organisation because only Inland Revenue approves donee status. If your organisation is registered 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 status.

You can check if you are on the approved donee organisations list at Inland Revenue's website [www.ird.govt.nz/donee-organisations/](http://www.ird.govt.nz/donee-organisations/). If not on the donee list, you can apply in writing to Inland Revenue.

## What to do now

**Promote your charity to potential donors:** Inland Revenue's list of donee organisations does not include contact details or other information. When promoting your charity, you may wish to refer people to your entry on the Charities Register. You are encouraged to inform your networks about payroll giving.

**Establish a system for issuing payroll giving summaries:** While not compulsory, it is recommended that donee organisations issue a payroll donation summary to the employer for their records. The individual donor doesn't need receipts for donations made through their payroll because their pay slip will show all the details.

**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 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 – 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.



# Clarifying volunteer payments

Volunteers may:

- be reimbursed for any expenses they have from their voluntary activities, and/or
- receive an honorarium (payment made for services where no fixed 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. 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](http://www.ird.govt.nz).



# 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 \$0.33 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). There are approximately 155,000 active close companies in New Zealand.

## Making the relationships work - Tableside Community Trust

TableSide Community Trust began as a small group of people from different areas of Auckland who started to see each other to talk about what mattered to them; giving time and raising funds for community causes.

Through networking and dedication to relationship building, the Trust has grown into a large band of dedicated volunteers from all walks of life who pool their skills and talents to work in partnership with charitable and non-profit organisations.

The group helps out in a wide variety of ways, wherever there is a need in the community. Projects include cleaning up graffiti, volunteering with ESOL support, raising funds for a sick child, organising a gardening project for a disabled couple or doing painting jobs. Where volunteers are reimbursed for expenses, this reimbursement is 'tax-free' and so does not have to be included as income in tax returns.

**“you need to nurture these relationships to ensure long term connections”**

TableSide's contribution was recognised in the Auckland City Council's 2009 Community Safety Awards. It was named winner of the Not-for-Profit Organisation Award, and classed as "outstanding

in their category for engendering tremendous community spirit through co-ordinated activities in the community”.

Director Denise Krum said it is the long-term relationships – with donors, volunteers, non-profit organisations and businesses – that has allowed the Trust to grow and flourish; helping more and more people on the way. It will also be these relationships that ultimately will encourage donors to give to Tableside Community Trust through any future payroll giving schemes.

“We work hard at maintaining relationships. From a nonprofit perspective, you need to nurture these relationships to ensure long term connections and success in the community.”

