

**SCHEME OF TAX RELIEF
FOR DONATIONS TO
ELIGIBLE CHARITIES
AND OTHER APPROVED
BODIES, UNDER
SECTION 848A, TAXES
CONSOLIDATION ACT 1997**

INTRODUCTION

Section 848A of the Taxes Consolidation Act, 1997 provides for a scheme of tax relief for certain “eligible charities” and other “approved bodies” in respect of donations received on or after 6th April, 2001.

WHAT IS AN “ELIGIBLE CHARITY”?

An “eligible charity” means any charity in the State which is authorised in writing by the Revenue Commissioners for the purposes of this Scheme.

An authorisation will not issue unless the applicant charity

- is a body of persons or trust established for charitable purposes only, and
- applies its income for charitable purposes only, and
- has been granted exemption from tax (i.e. assigned a CHY number) by the Revenue Commissioners for a period of not less than 2 years prior to the date of application.

Where a charity wishes to apply for an authorisation under the Scheme it must submit a completed application form - **see Appendix 1** - to Charities Section, Revenue Commissioners, Government Offices, Nenagh, Co. Tipperary. Authorisations issued under the Scheme will be valid for periods ranging up to 5 years and upon expiry may be renewed by making a fresh application.

Notes for Charities:

- (i) It should be noted that such other information in addition to the application form for scheme authorisation, as may be required, must also be furnished to the Revenue Commissioners on request;***
- (ii) The Revenue Commissioners can make available to any person the name and address of any charity authorised for the purposes of the Scheme.***
- (iii) An eligible charity may be required to publish such information in such manner as the Minister for Finance may reasonably require, including audited accounts.***

WHAT IS AN “APPROVED BODY”?

In addition to eligible charities, the following is a list of other “approved bodies” for the purposes of the Scheme.

- Educational institutions or bodies in the State including primary, second level or third level, if they meet certain conditions (e.g., their programmes are approved by the Minister for Education and Science or the institution provides courses which are validated by the Higher Education Training and Awards Council),
- The Scientific and Technological Education (Investment) Fund,
- A body approved for Education in the Arts by the Minister for Finance,
- The company incorporated under the Companies Acts, 1963 to 1990, on 20th September 1990 as First Step Limited,
- The Malting Research Committee of the Irish Malters Association,
- The European Research Institute of Ireland,
- The Equine Foundation,
- The Dun Research Foundation,
- The Institute of Ophthalmology,
- The Mater College for Research and Postgraduate Education,
- St Luke’s Institute of Cancer Research,
- US-Ireland Alliance Limited,
- A body to which section 209 of the Taxes Consolidation Act, 1997 applies i.e. a body for the promotion of the observance of the Universal Declaration of Human Rights or the implementation of the European Convention for the protection of Human Rights and Fundamental Freedoms, or both,
- The Foundation for Investing in Communities Limited or any of its 90% subsidiaries as may be approved by the Minister for Finance.

WHAT DONATIONS QUALIFY FOR RELIEF?

The minimum donation in any year that must be made to **any one** eligible charity or approved body is **€250**. Donations made by instalments (e.g. Standing Order) will also qualify. For the purposes of tax relief, and where there is no association between the donor and the charity(s)/approved body(ies) to which the donation is made, there is no maximum qualifying donation. However, where there is an association between the donor and the charity(s)/approved body(ies) at the time the donation is made e.g. where the donor is an employee or member of the charity/approved body, then relief will be **restricted to 10%** of the total income of the individual for the relevant year of assessment. *

A donation must also satisfy the following conditions:

- It must be in the form of money
- It must not be repayable
- It must not confer any benefit on the donor or any person connected with the donor
- It must not be conditional on, or associated with, any arrangement involving the acquisition of property by the charity or the approved body.

* *Full details of 10% restriction, which applies to donations made on or after 6 February 2003, are set out in the 2003 Finance Act.*

NATURE OF RELIEF

The arrangements for allowing tax relief on donations will depend on whether the donor is a PAYE taxpayer **or** an individual on self-assessment **or** a company.

- For a PAYE - Only taxpayer, the relief will be given on a “grossed-up” basis to the eligible charity or approved body, as the case may be, rather than by way of a separate claim to tax relief by the donor. In other words the donation will be treated as having been received by the eligible charity or approved body ‘net’ of income tax.
- In the case of a donation made by an individual who pays tax on a self-assessment basis, the individual will claim the relief and there is no grossing up arrangement. Similarly, in the case of a donation made by an individual who pays portion of his / her tax under the self-assessment system but also pays tax under the PAYE tax system, the individual will claim the relief and there is no grossing up arrangement.
- In the case of corporate donations, the company will claim a deduction for the donation as if it were a trading expense; again there is no grossing up arrangement in this case.

Examples:

PAYE- Only Individual

- (a) *Individual on the standard rate of tax i.e. 20%*
Individual donates €500

Value of donation to the eligible charity/approved body = €625

(i.e. €500 x $\frac{100}{80}$)

Tax associated with the donation (€625 -€500) = €125

The eligible charity or approved body will therefore be able to claim a repayment of €125 from Revenue at the end of the tax year.

- (b) *Individual on the higher rate of tax i.e. 42%*
Individual donates €500

Value of donation to the eligible charity/approved body = €862

(i.e. €500x $\frac{100}{58}$)

Tax associated with the donation (€862 - €500) = €362

The eligible charity or approved body will therefore be able to claim a repayment of €362 from Revenue at the end of the tax year.

(Note: Where sufficient tax has not been paid to cover the donation made, the refund of tax will be limited to the amount of tax actually paid by the donor).

The individual **PAYE - Only donor** must complete an “Appropriate Certificate” – see **Appendix 2** – and forward it to the relevant charity or approved body, as the case may be, to allow it to claim the grossed up amount of tax associated with the donation. Charities and other approved bodies should exercise care towards ensuring that such Certificates are completed in the case of **PAYE –Only donors**. For repayment purposes, the details

contained in the Appropriate Certificates must subsequently be forwarded by charities and approved bodies to Revenue in an agreed electronic format together with a completed Claim Form 848A. The technical specifications for making a claim for repayment in electronic format are available on the Revenue website <http://www.revenue.ie/services/electser.htm>. Where a charity or approved body does not have the facilities to forward the details electronically, they may be given in writing in a format approved by Revenue.

All repayment claims should be sent to the Office of the Revenue Commissioners, Charities Section, Government Offices, Nenagh, Co. Tipperary
Phone: (067) 63400 Ext. 63302/63304 Lo call 1890 66 63 33 Ext. 63302/63304

Self-assessed individual

Individual on the standard rate i.e. 20%

Individual donates €500 and receives tax relief @ 20% (€100). Cost to the taxpayer is €400 and receipt by eligible charity or approved body is €500 – the self-assessed individual will simply claim a deduction for the donation on his/ her tax return, there is no grossing up arrangement and therefore no repayment claim by the eligible charity or approved body arises.

Individual on the higher rate i.e. 42%

Individual donates €500 and receives tax relief @ 42% (€210). Cost to the taxpayer is €290 and receipt by eligible charity or approved body is €500 – again there is no grossing up arrangement and therefore no repayment claim by the eligible charity or approved body arises.

Corporate donations

Company X donates €1,000 to an eligible charity or approved body. Assuming a corporation tax rate of 12.½%, relief to the company is €125 i.e. €1,000 @ 12.½%. While the eligible charity or 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, there is no grossing up arrangement and therefore no repayment claim by the eligible charity or approved body arises.

Further Information:

You can obtain further information on the donation scheme from:

Office of the Revenue Commissioners,
Charities Section,
Government Offices,
Nenagh,
Co. Tipperary

Phone: (067) 63400 Ext. 63302/63304 Lo call 1890 666333 Ext. 63300/2/3/4

Email: charities@revenue.ie

While every effort is made to ensure that the information given in this leaflet is accurate, it is not a legal document. Responsibility cannot be accepted for any liability incurred or loss suffered as a consequence of relying on any matter published herein. March, 2004.

Application to Revenue for Authorisation as an 'Eligible Charity' for the purposes of Section 848A, Taxes Consolidation Act, 1997 (donations to approved bodies etc.).

Office of the Revenue Commissioners,
Charities Section,
Government Offices,
Nenagh, Co. Tipperary

Tel: 067-63302/63303
Fax: 067-32916

Notes

Part 1 to be completed by applicant charity. Applicant charities must have been granted charitable exemption (CHY number) for at least 2 years prior to the date of application.

The Authorisation at Part 2 to be completed by Charities Section

Part 1

Name of Charity: _____

Address: _____

CHY Ref. No.: _____

Date Charitable exemption was granted: _____

Tax Ref. No.: _____

Please confirm that we are a body authorised by Revenue as an 'eligible charity' for the purposes of Section 848A Taxes Consolidation Act, 1997.

Name in Block Capitals _____ Position in Charity _____

Signature _____ Daytime Tel. No. _____

Date _____

AUTHORISATION

Part 2

The above mentioned charity is authorised as an 'eligible charity' for the purposes of Section, 848A Taxes Consolidation Act, 1997.

Signed _____
on behalf of Revenue.

Date _____

Valid until _____

Serial Number _____

Official Stamp

This authorisation is issued solely for the purposes of the above-mentioned scheme of tax relief on donations to eligible charities and will remain valid for the period stated unless withdrawn at an earlier date by Charities Section. In any case of doubt, confirmation of the validity of any authorisation issued may be obtained by contacting the Charities Section.

NOTES TO APPENDIX 2

1. An “eligible charity” means any charity in the State which is authorised in writing by the Revenue Commissioners for the purpose of this Scheme, whereas an “approved body” means

- Educational institutions or bodies in the State including primary, second level or third level.
- STEIF i.e. The Scientific and Technological Education (Investment) Fund
- A body approved for Education in the Arts by the Minister for Finance.
- Other bodies such as First Step Ltd, Malting Research Committee, European Research Institute of Ireland, Equine Foundation, Dun Research Foundation, Institute of Ophthalmology, Mater College for Research and Postgraduate Education, St Luke’s Institute of Cancer Research, US-Ireland Alliance Limited, Foundation for Investing in Communities Ltd. and a body to which section 209 of the Taxes Consolidation, 1997 applies. (see Chy 2 leaflet for full details)

2. The phrase "grossed up amount of the donation" means the amount, which after deducting income tax leaves the amount of the donation. For example,

- On the **standard rate** of 20%, the grossed up amount of a donation of €500 is €625 (i.e. $€500 \times \frac{100}{80}$). The tax associated with the donation is €125.
- On the **higher rate** of 42%, the grossed up amount of a donation of €500 is €862 (i.e. $€500 \times \frac{100}{58}$). The tax associated with the donation is €362.

3. In the case of donations made on or after 6 February, 2003, tax relief will be **restricted to 10%** of the total income of the individual for the relevant year of assessment **where there is a direct association between the donor and the charity/approved body at the time the donation is made** e.g. where the donor is an employee or member of the charity/approved body. (*Full details of 10% restriction are set out in the 2003 Finance Act*)

Repayment of tax to the eligible charity or approved body

For repayment purposes, the details contained in the Appropriate Certificates must subsequently be forwarded by charities and approved bodies to Revenue at the end of the tax year in an agreed electronic format together with a completed Claim Form 848A. Where the charity or approved body does not have the facilities to forward the details electronically, they may be given in writing in a format approved by Revenue. All repayment claims should be sent to:

Office of the Revenue Commissioners,
Charities Section,
Government Offices,
Nenagh,
Co. Tipperary

Phone: (067) 63400 Ext. 63302/63304 Lo call 1890 666333 Ext. 63301/2/3/4

Further Information You can obtain further information on the donation scheme by contacting the above office or Email: <mailto:charities@revenue.ie> or from your local Revenue Office.