



## ***How Donating To Charity Can Reduce Your Tax Bill***

*Donating to a charity can make you feel good, but it can also have the added bonus of reducing your tax bill, however it may not be as simple as you might think. There are a lot of charities out there, but your donation may do nothing to reduce your tax.*

### **Deductible Gift Recipient**

To be able to claim your donation, your charity must be registered with the Australian Taxation Office (ATO) as a 'Deductible Gift Recipient' (DGR). You'll only be able to claim a tax deduction for gifts or organizations that have the DGR status. A DGR is an organisation or fund that can receive tax deductible gifts. If the organisation is not registered as a DGR, you will not be able to claim your deduction as a donation.

Claiming your donation doesn't affect what the charity receives. As long as the organisation is registered as a DGR, it will only affect your tax deductions.

### **Are you sure you can claim?**

Beware if you've donated to a crowdfunding campaign. You might be donating to a good cause, but if it's not registered, you won't be able to claim your donation as a tax deduction.

If you're unsure, it pays to check whether your chosen charity is reputable and registered as a DGR, on the Australian Charities and Not-for-profits Commission website.

### **When can you claim your donation?**

Whenever you make a donation, you'll need to back up your claim with a tax receipt. You can claim a tax deduction for a donation under \$10 without a receipt, however to claim deductions for donation over \$10, you will need your receipt.

Claiming a tax deduction for a donation must meet four conditions:

1. Your donation must be to a DGR organisation
2. You must have voluntarily transferred money without receiving anything in return
3. The donation must be money or property, which can include financial assets such as shares
4. Your donation must comply with all relevant gift conditions

### **Is it a gift, or a donation?**

The ATO regards a gift as a donation of money or property that is made without any material benefit to the donor. If you've received anything in return for your donation, it is deemed a contribution and won't be tax deductible.

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## Who can claim a donation as a tax deduction?

The ATO allows an individual or a business to claim a tax deduction for donations. A donor can be an individual, a company, trust or another type of taxpayer.

## When is a donation not a tax deduction?

For your donation to be a legal tax deduction, you must not receive anything in return. There are times and events where you might make a donation and receive something from the organisation in return, which will not be counted as a true donation.

This might be in the form of an auction, the purchase of raffle tickets, purchasing low-cost food items, tickets for attending a fundraising dinner, membership fees, making a payment for a school or church building, if you have provided a voluntary service and incurred costs, gifts made under a will, or gift vouchers.

## What can you claim?

Your claimable amount depends on the type of donation. If you donate money, you can only claim \$2 or more. There are different rules depending on the type of property or shares you're donating. There are special circumstances under the Heritage and Cultural programs where donations can also be tax deductible.

If you've received a pin, token, wristband or sticker for your donation, you're in luck. You can still claim the deduction. The ATO deems tokens and pins as having no material value and are used by the DGR as marketing and promotional material.

## When can you lodge your claim?

All tax deductible donations can be claimed in the year in which they were given. In certain circumstances, you can elect to spread the tax deduction over five income years. It's best to seek the advice of a tax agent who can help you maximise your tax deductions.

## Do you like your politics?

Donations made to a political party from an individual may be claimed as a tax deduction. This includes membership subscriptions to a registered political party. Your gift or donation must be more than \$2. If this donation is property, it must have been purchased 12 months or more before making the donation. The most you can claim in an income year is \$1,500 to political parties and \$1,500 to independent candidates and members.

**There are finer rules and regulations surrounding tax deductions claimed through donations. At ITP The Income Tax Professional will be able to advise what and when you can claim and help you maximise your tax return.**

*ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.*



**THE INCOME TAX PROFESSIONALS**