ANNEX E

Changes to the Scheme of Tax Relief for Donations to Charities and Approved Bodies

On 8 February 2012 the Minister for Finance, Mr. Michael Noonan T.D., announced a public consultation on possible changes to the scheme of tax relief for donations to charities and approved bodies. This followed representations made by the charities sector and some of the recommendations of the Forum on Philanthropy and Fundraising.

Interested parties were invited to make submissions regarding the amendments that the Minister proposed to make to the scheme.

These amendments were:

i. Donations from all individual donors under the scheme would be treated in the same manner, with the tax relief in all cases being repaid to the charity. This would mean that self-assessed taxpayers would no longer be able to claim a deduction on their tax returns for donations made under the scheme.

ii. Introduce a blended rate of relief that would apply to all taxpayers regardless of their marginal tax rate. This would involve a rate of refund of around 30%. All donations would be grossed up as is currently done for donations from individuals within the PAYE collection system.

iii. The charitable donations scheme would be removed from the scope of the high earners’ restriction.

iv. An annual donation limit of €1 million per individual, which could be tax relieved under the scheme would be introduced.

The closing date for receipt of submissions was 11 May 2012.

A total of 61 responses to the public consultation were received. An analysis of the submissions was completed and will be published on the Department’s Tax Policy website http://www.taxpolicy.gov.ie in due course.

Having considered the points raised by those that made submissions to the public consultation, the Minister has decided to proceed with the introduction of the changes as outlined and to set the blended rate of refund at 31%. This blended rate will be subject to regular review. These changes will take effect in respect of all donations made by individuals on or after 1 January 2013. Legislation providing for the changes will be set out in the forthcoming Finance Bill.

All of the changes are designed to be Exchequer neutral.

Simplification and Reducing the Administrative Burden

• Bodies will be permitted to use enduring declarations from donors that could last up to a maximum of 5 years.

• An option to complete a declaration solely in respect of donations made in a single year will also be available.

• The charity will only be required to record the donor’s PPSN the first time a declaration is signed. Thereafter, charities will use their own identifier for any communications with the donor.
• Bodies will submit refund claims to the Revenue Commissioners electronically.

• Claims in respect of PAYE donors can only be refunded after the relevant information (P35) is provided to the Revenue Commissioners.

• Claims in respect of self-assessed taxpayers can be submitted, but will be held and processed when the relevant tax return is made by the individual concerned.

These simplification measures will greatly reduce the administrative overhead for both the bodies concerned and the Revenue Commissioners.