



## *TAX RELIEF FOR DONATIONS*

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 6<sup>th</sup> April, 2001. The Dublin City University Educational Trust is an approved body for the scheme.

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.

## *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.

## EXAMPLE FOR PAYE- ONLY INDIVIDUALS

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

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

(i.e.  $€500 \times \frac{100}{80}$ )

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. 41% and donates €500

- Value of donation to the eligible charity/approved body = €847.46, i.e.  $€500 \times (100 \div 59)$

Tax associated with the donation ( $€847.46 - €500$ ) = €347.46

The eligible charity or approved body will therefore be able to claim a repayment of €347.46 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” 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.

## EXAMPLE FOR 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. 41%

Individual donates €500 and receives tax relief @ 41% (€205). Cost to the taxpayer is €295 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.

## EXAMPLE FOR CORPORATIONS

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.

