

# Donation Tax Credits under the Income Tax Act 2007-Short Form

## General

This document is the short form of a long document that goes into all the detailed issues around donation receipts. If you require the long form version, then please ask the Connexional Office.

In the last two to three years the Inland Revenue Department have been taking a greater interest in donation tax credits lodged by individuals as part of their annual tax returns. During this time some people have had their donation tax credits rejected by the IRD.

This update is to address concerns of the IRD in order to minimise the possibility of donation tax credits being declined.

The Church takes very seriously that it is a charitable organisation and that its supporters are able to claim tax credits (if they choose to) for their ongoing support of the Church.

## Church/Supporter/Donee View

A Methodist Church entity may issue a donation receipt for donation tax credit purposes when a supporter makes a **“charitable or other public benefit gift”** to the Church of \$5 or more either as an individual donation or as a series of properly recorded donations over a year.

### What is a “charitable or other public benefit gift”?

The phrase “charitable or other public benefit gift” is defined in the Act. It means a *monetary gift* of \$5 or more paid to a donee organisation.

To qualify as a monetary gift, the gift needs to be money of \$5 or more. For example, payment may be by cash, cheque, direct debit, credit card or debit card.

For a payment to be a “gift” it must be made voluntarily and no material advantage may be received by the giver in return for the payment. A payment is voluntary even if made under a sense of moral obligation. A payment that places the Church under an obligation to do or provide something in return for the payment is not a gift.

### When will the Commissioner consider a payment is *not* a gift?

The Commissioner considers a payment will not be a “gift” where:

- the supporter’s payment is made in return for a material benefit or advantage, or
- the Church is placed under a material obligation to do or provide something in return for the supporter making the payment.

## Donation Tax Credits –From the Supporters View Point

**The sum of charitable or other public benefit gifts made by an individual taxpayer in a tax year must not exceed their taxable income for that year.**

If the sum does exceed the taxpayer’s taxable income, the Commissioner must reduce the total amount of charitable or other public benefit gifts so the taxable income is not exceeded (ss 41A (3) and (4) of the TAA).

Supporters of the Church need to be aware that the IRD exchanges information with other Government agencies and has access to your income position. If a supporter of the Church does indeed claim a tax credit of their taxable income or close to their taxable income, then the Commissioner will ask questions, such as “what are you living on if all your income has been given away?”

### **Things to Note**

#### **Here is a list of things to be aware of:**

- Please do not use correction fluid or cross out details and write corrections on donation receipts. Please cancel or destroy the receipt and prepare/print another receipt.
- The Officers listed as people who are approved to sign the donation receipt SHOULD NOT authorise/sign their own receipts or those relating to their immediate family.
- As Inland Revenue has difficulty at times contacting authorised persons from certain organisations or parishes when trying to verify receipts, please ensure the contact details of authorised persons are updated regularly with DIA-Charities Services and Inland Revenue.
- The donation receipt given by the Church to an individual must reflect that individuals donations to support the work of the Church. In the event of family members giving a parent or other family member cash to give to the Church and the parent hands that money onto the Church, the donation receipt should be made out to the family member, not the parent.
- If a family or congregation member has a fund raising event for a Parish and those funds are passed onto the Parish, they are NOT classified as a “donation” to the Parish and therefore no donation receipt is issued, it is fund raising.
- If a parish parishioner loans money to the Parish and then later “forgives” the loan so that either part of or all of the loan does not have to be repaid, that is not considered a donation for the purposes of the Income Tax Act and the IRD will ask questions.

## Appendix A


### Donations and Receipts for Donations

The Methodist Church has a standard form of receipt which should be issued to people providing donations to the Church. The Inland Revenue Department has set requirements for these receipts and these requirements should be followed at all times.

The evidence of the donation needs to be in the form of either a letter, on letterhead or a receipt with the church name clearly identified as being linked to the Methodist Church;

- The church names is shown in full, including their address;
- The name of the taxpayer for whom the receipt/letter is for;
- The amount of the donation;
- The year ending date.

A copy of the standard form of receipt is available as a PDF form from the Connexional Office. Before issuing a receipt, please make sure that you have an audit trail which you and others will be able to follow in the event that the Inland Revenue Department ask for proof or confirmation of the donation. The donation must be detailed in the cash book and accounting system noting the person giving the donation, the date it was received and the amount of the donation. This must be able to be followed through to a deposit in the bank account of the parish. If a deposit in the bank account is made up of more than one donation, each donation must be able to be proved to be banked to a deposit into the parish bank account.

	<b>THE METHODIST CHURCH OF NEW ZEALAND</b> <b>TE HAAHI WETERIANA O AOTEAROA</b>	Receipt Number <input type="text"/>
_____		Parish Name and Address
Charities Services Number: _____	IRD Number: 10-836-166	
This is to certify that donations were received from (donor):		
Rev/Mr/Mrs/Miss/Ms _____		
Address _____		
_____		
For the period of twelve months ending 31 <sup>st</sup> March _____	\$ _____	
Amounting to _____	Dollars	
_____	Cents	
Envelope Number _____		
OR		
Nature of Gift _____		
_____	Signed	/ / Date
(Parish Steward/Treasurer/Recorder)		



One of the following people are authorised to sign the receipts (in order of preference):

- The Recorder
- The Treasurer
- One of the Parish Stewards
- Print the name of the person, their position and then sign and date it.

**Please Note: The person who is completing the form MUST NOT sign their own or a family member's donation receipt.**

If the Connexional Office receives a call from the IRD and can NOT identify the Methodist entity, the Charities Services registration number and the name of the person who has signed the receipt, the Connexional Office will NOT validate the receipt and will ask the IRD to return it to the taxpayer for clarification.