

Guide to Completing the IRD Tax Credit Claim Form (IR 526) Methodist Church of New Zealand

The Methodist Church has a specific form for Methodist Parishes to use to record donations that it receives by way of offerings or other donations of cash. This form can be obtained from the Connexional Office.

The Connexional Office receives a number of calls every year from the Inland Revenue Department asking questions about donation receipts that individuals are claiming. If the receipt in question is NOT on the official receipt or the names on the receipt can NOT be identified, then the IRD will not approve it as a valid tax credit.

The IRD have advised that there are changes to the Tax credit form IR526 that claimants complete to receive their tax credit. Unfortunately there has been no prior consultation with the Churches regarding the changes which are noted below.

The IRD also have a form that individuals are required to complete. This is form IR 526 and is called the "Tax credit claim form". It is available as a download from the IRD website.

We have noted that the **Tax credit form (IR 526)** asks claimants to itemise their donations in three categories:

- school and kindergarten (box 3 on form IR 526)
- church (box 4)
- other donee organisations (box 5)

Previously donations were declared in one box without differentiation as to type.

The IR526 form states on the reverse under a heading "**Church Donations**" –

A church donation is an unconditional donation to a donee church organisation or group. Place all church donations in box 4. If you made a donation through a church to an unrelated charitable organisation, place this amount in box 5.

The following comments are circulated for the benefit of parish treasurers completing donation receipts and others advising parish members on the completion of their Tax credit claim form - donation section (form IR 526).

Definitions

"donee" is the parish or Methodist Church or entity within the Methodist Church or the entity receiving the donation.

"donor" is the person, entity or organisation giving the money as a donation.

Issuing Parish Receipts:

(a) Receipts qualifying for the tax credit (Box 4 IR 526):

Parish Treasurers can issue qualifying receipts identifying the parish and the relevant Charities Commission number where the donor has;

- made an **unconditional gift** to the parish.

- made a gift with limited directions as to how the donation is to be applied, for example, to a New Zealand based internal parish project (e.g. ‘the building fund’).
- made a donation that the donor directs be passed on to another part of the regional or national church entity (e.g. the diocesan/national budget) provided that donation would qualify for the rebate on a standalone basis.
- made a donation specifically tagged to a church related organisation with overseas purposes which is listed on Schedule 32 of the Income Tax Act. Note that to qualify the donation must be passed on in bulk by the parish such that the donor **does not** receive a personalised receipt from the recipient e.g. World Vision, Caritas, Christian World Service. (See a copy of **Schedule 32** following).

Note: The donor may make an **unconditional gift** to the parish in the full knowledge that a portion of the parish budget is spent supporting overseas and other causes outside the parish. That is still an unconditional gift as the donor has not specifically directed how it be spent. In such cases the onus is on the parish treasurer to ensure that the law is complied with and such outside causes are relatively minor in the context of the overall church budget. The Act requires that donee organisations use their funds *‘wholly or mainly for charitable, benevolent, philanthropic purposes within New Zealand’*(emphasis added) so funds going overseas must always, in total, be less than 50% of the parish’s total expenditure.

The above receipts, qualifying for the tax credit, should be included in Box 4 of the rebate claim form IR 526.

(b) Other Parish Receipts (totally excluded from a claim on form IR 526):

The parish may issue other ‘ordinary’ receipts which are ineligible for a tax credit. Treasurers must ensure such receipts clearly state that they are ‘not a tax credit qualifying donation and therefore no claim can be made on the IRD form’ or words to that effect. Some examples:

- Where a good or service has been received. E.g. camp/retreat fees, wedding/funeral fees. If the parish is registered for GST such receipts will be GST inclusive as these services as part of the taxable activities as provided under the Goods and Services Act.
- ‘Conduit’ or ‘pass through’ **tagged donations** where the donor directs the donation to a person or entity which does not of itself qualify for the rebate. (e.g. mission or overseas organisations not on Schedule 32, ‘Fred & Sally’ doing mission work overseas).

(Note: There may be instances of ‘Conduit’ or ‘pass through’ donations where the recipient organisation does qualify for the rebate but the donor will receive a receipt directly from such entity. E.g. where funds are passed on to TEAR Fund which is given a list of donors and asked to issue receipts directly to those donors. If the parish issues an acknowledgment for such a pass through receipt it obviously follows that that acknowledgement cannot be used to claim a tax credit!)

(c) Other Receipts qualifying for the rebate (Box 5 IR 526)

For completeness note that donors should include donation receipts from para-church organisations and any other organisations in box 5. Some examples are direct donations to qualifying organisations such as;

- a. Scripture Union in New Zealand Inc
- b. World Vision of New Zealand
- c. The Evangelical Alliance Relief (TEAR) Fund
- d. Christian World Service
- e. IHC
- f. SPCA etc.

Schedule 32
Recipients of charitable or other public benefit gifts

Adventist Development and Relief Agency
African Enterprise (New Zealand) Aid and Development Fund
Akha Rescue Ministry Charitable Trust
Alhay Buhay Foundation Trust
Amnesty International
Bangladesh Flood Appeal Trust
Books for Africa
Caritas Aotearoa-New Zealand
Channel 2 Cyclone Aid for Samoa
Cheboche Area Trust Incorporated
Childfund New Zealand Limited
Children on the Edge (NZ) Trust
Christian Blind Mission International (New Zealand)
Christian World Service
Community Action Overseas (Oxfam NZ)
CORSO (Incorporated)
Cry for the World Foundation New Zealand Humanitarian Aid Fund
Cure Kids
Cyclone Ofa Relief Fund
Cyclone Val Relief Fund
DIPS'N Charitable Trust (International)
Educational Aid for International Development Trust Board
Four Sherpa Trust
Global Hope
Greater Mekong Subregion Tertiary Education Consortium Trust
Habitat for Humanity New Zealand Limited
Hamlin Charitable Fistula Hospitals Trust
Help a Child Foundation New Zealand
Hope Foundation Development Trust
Hope International Charitable Trust
Ingwavuma Orphan Trust Fund of New Zealand
International Christian Aid (ICA)
Karunai Illam Trust
Kyrgyzstan New Zealand Rural Trust
L Women of Africa Fund
Limbs 4 All Charitable Trust
Medicine Mondiale
Mission Without Borders (NZ), Humanitarian Aid Account
Mobility Equipment for the Needs of Disabled Trust
Nelson Mandela Trust (New Zealand)
New Zealand Disaster Assistance Response Team Trust
New Zealand Jesuits in India Trust
New Zealand Sports Foundation (Incorporated)

New Zealand Viet Nam Health Trust
Open Home Foundation International Trust
Operation Hope (Aid Ship to Africa)
Operation Restore Hope Charitable Trust
Operation Vanuatu Charitable Trust
Partners Relief and Development NZ
Plan New Zealand
"Raphael" (The Ryder-Cheshire Foundations of New Zealand)
Register of Engineers for Disaster Relief New Zealand
Sampoerna Foundation Limited
Save the Children New Zealand (and its branches)
Sport and Recreation New Zealand
St Stanislas Charitable Trust of New Zealand
Surf Aid International Incorporated
Te Tuao Tawahi: Volunteer Service Abroad Incorporated
Tender Trust
The Band Aid Box
The Bouganville Library Trust
The Branch Foundation
The Commonwealth Foundation
The Destitute Children's Home, Pokhara, Charitable Trust
The Evangelical Alliance Relief Fund (TEAR Fund)
The Fred Hollows Foundation (NZ)
The Food Bank of New Zealand
The Hillary Himalayan Foundation
The Leprosy Mission New Zealand Incorporated
The Mutima Charitable Trust
The New Zealand Council of the Ramabai Mukti Mission Trust Board
The New Zealand Rotary Clubs Charitable Trust
The New Zealand Society for the Intellectually Handicapped (Incorporated)
The Norman Kirk Memorial Trust Fund
The Pacific Leprosy Foundation
The Palestine Children's Relief Fund Charitable Trust
The Red Cross Society Incorporated
The Serious Road Trip Charitable Trust
The Sir Edmund Hillary Trust
The Sir Walter Nash Vietnam Appeal
The United Nations International Children's Emergency Fund (UNICEF)
The Winston Churchill Memorial Trust
The World Swim for Malaria Foundation (New Zealand)
Together for Uganda
Triyog Himalaya Trust
UNHCR (United Nations High Commissioner for Refugees)
Valehead Community Health Centre Trust
Water for Survival
Waterharvest Trust
World Vision of New Zealand (Incorporated)
Zonta International District 16 (New Zealand) Charitable Trust