

**CHARITIES  
HELP THOSE  
MOST IN NEED.  
SUPPORT TAX  
MEASURES  
TO PROMOTE  
GIVING  
DURING  
RECESSION.**

A close-up photograph of a young child's face, looking directly at the camera. The child's hands are raised in front of their face, with fingers spread. The hands are painted with bright, vibrant colors: red, green, and yellow. The background is a solid, bright yellow color, which makes the child's face and the colorful hands stand out prominently.

**ICTR**

Providing Leadership and Support  
within the Irish Charity Sector

## CHARITIES – PLAYING THEIR PART

Charities play an indispensable role in tackling the human cost of the current recession - for children, the aged, the sick, people with disabilities, people who are homeless and those most in need, both at home and abroad.

The public continues to give generously but many charities are struggling to keep pace with the demand for their services. In some cases, the very people who generously supported their charity of choice in the past now find themselves in need of support and services.

The Charities Act 2009 removed one of the often quoted obstacles to movement on charity taxation. The Act provides comprehensive guarantees on the legitimate operation of charitable organisations, in particular through requirements regarding 'public benefit' and 'charitable purposes' activity.

ICTR actively supported and helped to frame this legislation with government. It will continue to work with government towards the roll-out of the legislation and the setting up of regulatory structures.

## A POSITIVE TAXATION POLICY

Taxation policy during the current downturn should promote socially beneficial activity and encourage a spirit of giving.

The generosity of the public must be matched by government.

Now, more than ever, the sector must be assisted and enabled to undertake, continue and expand its work to meet the demands of communities and individuals.

In its 2009 Report the Commission on Taxation recognised the central role of charities stating:

*"We consider that there is a general benefit to society from donations to charities and other approved bodies and that the state should continue to support this activity."*

## EXISTING TAX RELIEF ON CHARITABLE DONATIONS SHOULD BE RETAINED

Tax relief on charitable donations is currently based on the marginal rate of 41%. It should be retained at this level and not be standardised for the following reasons:

- *The benefit from the tax relief goes to the charity, not the donor*
- *A reduction below the marginal rate would seriously impact on the work of charities, discourage independent fundraising and, ultimately, increase reliance on central government funding*
- *Tax savings to the government would be miniscule, but the impact on charities would be immense*

## DONATIONS OF €100 A YEAR SHOULD QUALIFY FOR TAX RELIEF

Charitable donations of €250 a year currently qualify for tax relief.

ICTR believes that this is too high a threshold and discourages giving.

- *Smaller levels of donations, e.g. €100 a year or perhaps €10 a month should be the new lower limit.*
- *This would acknowledge the importance of average size donations, particularly in the context of recessionary pressures on those who wish to give.*
- *More charities will benefit from the introduction of a lower threshold.*

## ABOLISH VAT ON GIVING

Charities cannot claim VAT back in the same way that a business can. Charities effectively pay a levy on all independent fundraising - from printing of leaflets to booking hotels for fundraising events.

- *A VAT compensation scheme should be established, as suggested by the European Commission*
- *A scheme along these lines, recently adopted in Denmark which has a similar charity structure to Ireland, could be the template for ending VAT on giving*

## SUPPORT FOR PHILANTHROPY

The Report of the Commission on Taxation recommended replacing the existing limits on all tax reliefs including donations (applicable under the Finance Act 2006, Ch 2A, Section 485C) with a straightforward ceiling of €500,000 under the donations scheme itself. This proposal acknowledges the key difference between tax relief to private philanthropy to promote the public good and private investment to promote private gain.

ICTR fully supports the principle of the decoupling of philanthropic donations from other tax reliefs to promote charitable/ philanthropic giving.

We believe that the appropriate cap on tax relief for philanthropic donations should be €1 million.

For larger endowments that may not be appropriately addressed for tax purposes under the above proposals the legislation should provide for a separate approvals process, on a case-by-case basis, to ensure that such philanthropic donations continue to be encouraged.

The ICTR is a membership organisation of 156 charities. It seeks to enhance the conditions for an independent charity sector in Ireland through:

- *Promoting the development and acceptance of a range of policy instruments that incentivise and facilitate philanthropic giving in Ireland*
- *building capacity in the charity sector in Ireland particularly in relation to the introduction of regulation and the adoption of best practice*
- *enhancing public confidence in the work of charities*

Founded in 1991, ICTR is governed by an elected voluntary management committee comprised of members from member organisations.



## CASE STUDY: RESPECT

Campaign Vat Bill c.€1,200,000



Since 1892, the Daughters of Charity of St. Vincent de Paul have worked hard to provide care, education and training for people with an intellectual disability. They provide a seamless programme of care, from infancy right through to old age. Their work is ultimately about people - their dignity and their right to a decent quality of life. The Daughters of Charity care for 2,300 people, 800 of whom are in full-time residential care, with 1,500 attending specialist centres on a daily basis.

Over the last number of years, the Daughters of Charity have worked on a project to construct nine specially designed bungalows, in Chapelizod, west Dublin. The bungalows are part of what is known as the Glenmarroon Project and now house 54 people with severe intellectual disabilities. Money for the project was part funded through Respect, effectively the fundraising arm of the organisation.

The cost of the project is estimated at €10 million – with VAT on the building costs alone totalling €1.2 million.

But VAT must also be paid on fundraising costs – so it costs money to raise money to build the houses in the first place! One year, Respect paid VAT of €21,000 on fundraising.

In short, the VAT bill could finance the provision of at least one, if not two extra bungalows – ensuring that 12 people with intellectual disability were properly and adequately housed.





## CASE STUDY: IRISH CANCER SOCIETY

Total Annual Vat Bill c.€300,000



Founded in 1963, the Irish Cancer Society (ICS) is the national charity dedicated to eliminating cancer as a major health problem and improving the lives of those living with cancer. Key areas of focus are health promotion, patient care and cancer research. The Society is funded solely by voluntary contributions from the public.

The €300,000 VAT bill paid annually by the Irish Cancer Society would run their entire Cancer Information Services for a year. It could alternatively provide 850 nights of nursing for cancer patients reaching the end of their journey at home. Or it could support a full year's expenditure on immediate cash assistance grants to help hundreds of people who experience financial hardship due to a cancer diagnosis.



## THE NEXT STEPS

- *Contact the Minister for Finance to seek:*
  - *retention of the current rate of tax relief for charities*
  - *a reduction in the threshold for tax relief to around €100 a year*
  - *compensation to charities for VAT incurred on independent fundraising*
- *Refer these proposals for the attention of any committees or planning in your party on documentation for the December Budget*
- *Contact the Finance spokesperson and policy makers in your party to seek:*
  - *inclusion of a section on charities in your party's Manifesto for the next General Election*
  - *raise issues on charities' taxation at appropriate Oireachtas Committees, Debates and Question Time, etc.*
- *Suggest that the government establish a process to allow discussion on future tax and VAT changes affecting charities*
- *Develop two-way links with the charity sector on issues related to fundraising and tax to provide a clearer example of how exactly budgetary decisions would impact on charities*
- *Consider becoming a 'Champion' for charity independent fundraising in your party*



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