

CHY2

**SCHEME OF TAX RELIEF FOR
DONATIONS OF MONEY OR
DESIGNATED SECURITIES TO
“ELIGIBLE CHARITIES”
AND OTHER “APPROVED BODIES”
UNDER SECTION 848A TAXES
CONSOLIDATION ACT 1997**

INTRODUCTION

Section 848A Taxes Consolidation Act 1997 (TCA 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 April 2001.

WHAT IS AN “ELIGIBLE CHARITY”?

An “eligible charity” means any charity, which is authorised in writing by the Revenue Commissioners for the purposes of this Scheme. A list of eligible Charities is published on Revenue’s website at www.revenue.ie under Publications/Lists of bodies and organisations that qualify for reliefs.

An authorisation will not issue unless the applicant charity:

- is a body of persons or trust established for charitable purposes only, and
- applies its income for charitable purposes only, and
- has been granted exemption from tax (i.e. assigned a Charity (CHY) number) by the Revenue Commissioners for a period of not less than two years prior to the date of application for authorisation.

Where a charity wishes to apply for an authorisation under the Scheme it must submit a completed application form - **see Appendix 1 'CHY2 AUTH'** - to the Office of the Revenue Commissioners, Collector-General’s Division, Charities Section, Government Offices, Nenagh, Co. Tipperary. Authorisations issued under the Scheme will be valid for periods ranging up to five years and upon expiry may be renewed by making a fresh application.

Notes for Charities:

- (i) It should be noted that such other information in addition to the application form for scheme authorisation, as may be required, must also be furnished to the Revenue Commissioners on request,
- (ii) The Revenue Commissioners can make available to any person the name and address of any charity authorised for the purposes of the Scheme,
- (iii) An eligible charity may be required to publish such information in such manner as the Minister for Finance may reasonably require, including audited accounts.

WHAT IS AN “APPROVED BODY”?

In addition to eligible charities, the following is a list of other “approved bodies” for the purposes of the Scheme:

- Educational institutions or bodies including primary, second level or third level, if they meet certain conditions (e.g. their programmes are approved by the Minister for Education and Science or the institution provides courses which are validated by the Higher Education Training and Awards Council),
- A body approved for Education in the Arts by the Minister for Finance,
- A body to which Section 209 TCA 1997 applies, i.e. a body for the promotion of the observance of the Universal Declaration of Human Rights or the implementation of the European Convention for the protection of Human Rights and Fundamental Freedoms, or both.

WHAT DONATIONS QUALIFY FOR RELIEF?

The minimum donation in any single year that must be made to any one eligible charity or approved body in the form of money or designated securities, or a combination of money and designated securities, must be of a value of €250. Cash donations made in instalments (e.g. Standing Order) also qualify. There is no maximum qualifying donation amount save that where there is an association between the donor and the eligible charity/approved body at the time the donation is made, e.g. where the donor is an employee or member of the eligible charity/approved body, the relief will be restricted to 10% of the total income of the individual for the relevant year of assessment. An overall restriction applies to tax relief schemes as introduced by Section 17 of the Finance Act 2006.

A donation must also satisfy the following conditions:

- It must be in the form of money or designated securities or a combination of money and designated securities,
- 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 eligible charity or the approved body.

NATURE OF RELIEF

The arrangements for allowing tax relief on donations will depend on whether the donor is (1) a PAYE-only taxpayer or (2) an individual on Self-assessment or (3) 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. If the donation comprises designated securities, the donor must account for any Capital Gains Tax liability to enable the eligible charity to claim the tax relief.
- 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 who also pays tax under the PAYE tax system, the individual will claim the relief and there is no grossing up arrangement unless he/she is not deemed a “chargeable person” for Self-assessment purposes.
- 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.

Examples:

PAYE-ONLY Individual

(a) Individual on the standard rate of tax, i.e. 20%

Individual donates €500

Value of donation to the eligible charity/approved body = €625, i.e. $€500 \times (100 \div 80)$

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%

Individual 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: In a situation where insufficient tax has been paid to cover the donation made, the refund of tax will be limited to the amount of tax actually paid by the donor. Also, if a taxpayer does not have sufficient tax paid at the higher rate to cover the grossing up of the relevant donation, then the tax relief is restricted at the relevant rates of tax.)

Examples contd.:

The individual **PAYE-only donor** must complete an "Appropriate Certificate" - **see Appendix 2 'CHY2 Cert'** - and forward it to the relevant eligible charity or approved body, as the case may be, to allow it to claim the grossed up amount of tax associated with the donation. Charities and other approved bodies should exercise care towards ensuring that such Certificates are completed in the case of **PAYE-only donors**.

For repayment purposes, the details contained in the Appropriate Certificates must subsequently be forwarded by charities and approved bodies to Revenue together with a completed claim form, Form 848A Donations Scheme, available on Revenue's website www.revenue.ie or from the Revenue office below.

All repayment claims should be sent to:

Office of the Revenue Commissioners,
Collector-General's Division,
Charity Claims Unit,
Government Offices,
Nenagh,
Co. Tipperary

Phone: 067-63400 Ext. 63308/63142/63305 or LoCall 1890 666 333 Ext. 63308/63142/63305

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.

Corporate donations

Company X donates €1,000 to an eligible charity or approved body. Assuming a corporation tax rate of 12.5%, relief to the company is €125, i.e. €1,000 @ 12.5%. 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.

Further Information:

You can obtain further information on the Donations Scheme from:

Office of the Revenue Commissioners,
Collector-General's Division,
Charity Claims Unit,
Government Offices,
Nenagh,
Co. Tipperary

Phone: 067-63400 Ext. 63308/63142/63305 or LoCall 1890 666 333 Ext. 63308/63142/63305

Email: charityclaims@revenue.ie

While every effort is made to ensure that the information given in this leaflet is accurate, it is not a legal document. Responsibility cannot be accepted for any liability incurred or loss suffered as a consequence of relying on any matter published herein.

May 2009

Appendix 1

Application to Revenue for Authorisation as an 'Eligible Charity' for the purposes of Section 848A Taxes Consolidation Act 1997 (Donations to Eligible Charities and Other Approved Bodies)

Office of the Revenue Commissioners,
Collector-General's Division,
Charities Section,
Government Offices,
Nenagh,
Co. Tipperary

Tel: 067-63377/63303
Fax: 067-32916

Notes

Part 1 to be completed by applicant charity. Applicant charities must have held charitable exemption (a CHY number) for at least two years prior to the date of application for authorisation.

The Authorisation at Part 2 to be completed by Charity Section.

Part 1

Name of Charity

Address

CHY Ref. No.

Date charitable exemption was granted

Tax Ref. No.

Please confirm that we are a body authorised by Revenue as an 'eligible charity' for the purposes of Section 848A Taxes Consolidation Act 1997.

Name in BLOCK LETTERS

Position in Charity

Signature

Date

Daytime Tel. No.

Part 2

Authorisation

The above mentioned charity is authorised as an 'eligible charity' for the purposes of Section 848A Taxes Consolidation Act 1997.

Signed

Date

on behalf of Revenue

Valid until

Serial Number

Official Stamp

This authorisation is issued solely for the purposes of the above-mentioned scheme of tax relief on donations to eligible charities and will remain valid for the period stated unless withdrawn at an earlier date by Charities Section. In any case of doubt, confirmation of the validity of any authorisation issued may be obtained by contacting the Charities Section.

TAX RELIEF FOR DONATIONS TO ELIGIBLE CHARITIES AND APPROVED BODIES
“Appropriate Certificate” for the purposes of Section 848A Taxes Consolidation Act 1997
(To be completed by donors who are solely PAYE taxpayers)

(BLOCK LETTERS PLEASE)

I certify that I (name) have made a donation

to (eligible charity/approved body - see Note 1 overleaf)

in the sum/value of (in words)

€ (total donated) **(Minimum Donation €250)**

in the year ended 31 December (the relevant year of assessment) and that:

- I was resident in the State for the relevant year of assessment,
- The donation was made in money/designated securities (delete as appropriate),
- I have paid Income Tax/Capital Gains Tax of an amount equal to Income Tax/Capital Gains Tax for the above year on the grossed up amount of the donation (see Note 2 overleaf),
- I am not self-assessed for tax purposes,
- Neither I nor any person connected with me have received or will receive a benefit in consequence of having made this donation,
- The donation was not subject to a condition as to repayment nor conditional on, or associated with, the acquisition of property by the eligible charity or approved body other than by way of gift, from me or a person connected with me,
- I was not directly associated (i.e. either as an employee or member) with the eligible charity/approved body at the time the donation was made (see Note 3 overleaf). *If you are/were directly associated with the eligible charity/approved body at the time the donation was made then please complete the additional declaration at the bottom of the form*.*

PPS No.

Rate of Tax: Standard Higher
 (tick highest rate of tax paid)

Signature

Address

Date DD / MM / YYYY Telephone No.

N.B. This certificate should be completed by donors who pay tax under the PAYE tax system ONLY. A donor who is taxed under the Self-assessment system but who may also pay some tax under the PAYE system should claim tax relief in his/her own Self-assessment tax return.

* The following additional declaration is to be completed where there was a direct association between the donor and the eligible charity/approved body at the time the donation was made (see Note 3 overleaf)

I **declare** that the aggregate value of all donations made by me to this body, or to other eligible charities/approved bodies with which I am also directly associated, does/does not (delete as appropriate) exceed 10% of my income in that year of assessment.

Signature Date DD / MM / YYYY

WHEN YOU HAVE COMPLETED THIS CERTIFICATE, PLEASE FORWARD IT TO THE ELIGIBLE CHARITY OR APPROVED BODY TO WHICH YOU MADE YOUR DONATION

Notes to Appropriate Certificate CHY2 Cert

1. An “eligible charity” means any charity which is authorised in writing by the Revenue Commissioners for the purpose of this Scheme, whereas an “approved body” means:
 - ◆ Educational institutions or bodies in the State including primary, second level or third level,
 - ◆ A body approved for Education in the Arts by the Minister for Finance,
 - ◆ A body to which Section 209 Taxes Consolidation 1997 applies.
2. The phrase “grossed up amount of the donation” means the amount, which after deducting income tax leaves the amount of the donation. For example:
 - ◆ On the **standard rate** of 20%, the grossed up amount of a donation of €500 is €625 (i.e. $€500 \times 100 \div 80$). The tax associated with the donation is €125.
 - ◆ On the **higher rate** of 41%, the grossed up amount of a donation of €500 is €847.46 (i.e. $€500 \times 100 \div 59$). The tax associated with the donation is €347.46.
3. Tax relief will be **restricted to 10%** of the total income of the individual for the relevant year of assessment **where there is a direct association between the donor and the eligible charity/approved body at the time the donation is made**, e.g. where the donor is an employee or member of the eligible charity/approved body. *(Full details of 10% restriction are set out in Finance Act 2003, available on Revenue’s website www.revenue.ie)*
4. An overall restriction applies to tax relief schemes as introduced by Section 17 of the Finance Act 2006.

Repayment of tax to the eligible charity or approved body

For repayment purposes, the details contained in the Appropriate Certificates must subsequently be forwarded by charities and approved bodies to Revenue at the end of the tax year in an agreed format together with a completed **Form 848A Donations Scheme**, available on Revenue’s website www.revenue.ie or from the Revenue office below.

All repayment claims should be sent to:

Office of the Revenue Commissioners,
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Charity Claims Unit,
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Further Information

You can obtain further information on the Donations Scheme by contacting the above office or Email: charityclaims@revenue.ie or from your local Revenue Office.