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Fund raising events - tax deductible donations for individuals

The government has introduced legislation to allow, in defined circumstances, a partial deduction for expenses incurred by **individuals** in attending **fund-raising events** run in Australia by, or for, a charity or other entity with “deductible gift recipient” (DGR) status.

An amount, or property, contributed to attend such an event will, in part, be tax deductible where the contribution is made on or after 1 July 2004 in the following circumstances –

Cash contribution

Where -

- a cash contribution of more than \$250 is made; and
- the GST-inclusive market-value of the right to attend the event does not exceed \$100 or 10% of the amount of the contribution, whichever is less,

the amount deductible is the amount of the contribution less the GST-inclusive market-value of the right to attend the event.

Property purchased less than 12 months before is contributed

Where -

- the contribution is property purchased less than 12 months before the date the contribution is made, and the lesser of the market value on the date the contribution is made and the cost of the property is more than \$250; and
- the GST-inclusive market-value of the right to attend the event does not exceed \$100 or 10% of the amount of the contribution, whichever is less,

the amount deductible is the amount of the contribution less the GST-inclusive market-value of the right to attend the event.

Property valued at more than \$5,000 is contributed

Where -

- property, not purchased in the previous 12 months, which has been valued by the Commissioner at more than \$5,000, is contributed; and
- the GST-inclusive market-value of the right to attend the fund-raising event does not exceed \$100.

the amount deductible is the amount of the contribution less the GST-inclusive market-value of the right to attend the event.

Auctions

Where -

- more than \$250 cash is contributed as consideration for the supply of goods or services acquired at an auction held as, or in conjunction with, a fund-raising event; and
- the GST-inclusive market-value of the goods and services does not exceed \$100 or 10% of the amount of the contribution, whichever is less,

the amount deductible is the amount of the contribution less the market-value of the goods or services acquired.

Further points

- No more than two contributions may be claimed for the same fund-raising event.
- The legislation applies only to individuals.
- The DGR entity issuing the receipt for the contribution must ensure the receipt contains sufficient information to enable the contributor to justify their deduction under the rules above.
- The legislation has been passed by the House of Representatives and has been referred by the Senate to the Senate Economics Legislation Committee which is required to report by 12 May 2004.

Comments

- The measures give clarity to the law in an area where there has been widespread uncertainty and, one suspects, some degree of non-compliance.
- The measures are not, however, generous and will exclude many smaller fund-raising events where the donation element is not large; for instance, where the contribution for attending a fund-raising event is \$500 and the GST-inclusive market-value of the meal served at the fund-raiser is \$80, the legislation would not allow a deduction for the \$420 donation because the cost of the meal exceeded the lesser of 10% of the amount of the contribution and \$100.
- Large, more costly, events should satisfy the tests as long as the GST-inclusive market value of attending the event does not exceed \$100.
- The same comment can be made about auctions where the GST-inclusive market value of the item being auctioned cannot exceed \$100 for the new rules to have application.

Disclaimer

This information is provided as a general guide, and should not be relied upon as specific advice as each set of circumstances is subtly different. Further advice should be obtained if you intend to act on the matters canvassed above.

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