

TAX DEDUCTIONS FOR DONATIONS WITH ASSOCIATED MINOR BENEFITS

The Government has announced that it will relax the tax deduction rules associated with gifts to deductible gift recipients where the donor receives a benefit from the gift.

The Australian Taxation Office to date has disallowed claims for deductions where donations have resulted in a collateral advantage of a material nature to the donor. This approach has been problematic – particularly in interpreting what constitutes a “collateral advantage of a material nature”. Issues have arisen as to whether some of the following benefits received by donors were material:

- naming rights to a new building
- a lunch or dinner and associated entertainment where the value of the donation exceeded the cost of the meal
- items purchased at charity auctions

The Government has announced that from 1 July 2004 it will allow a tax deduction for cash donations over \$250.00 to deductible gift recipients where the donor receives only minor benefits associated with the gift.

Helpfully, this time the Government will be defining what is a “minor benefit”. It will be defined to be no more than 10% of the donation or \$100.00 whichever is less.

For example, if a fundraising dinner cost \$1,000.00 but the market value of the dinner was \$100.00 participants will be entitled to a \$900.00 tax deduction.

These changes are due to take effect from 1 July 2004.