

TAX TALK CHARITABLE ORGANISATION AND DONATIONS

FS: What is a charitable organisation?

ACEO: A charitable organisation can be any institution, body of persons or irrevocable trust of a public character established solely for the relief of the poverty or distress of the public. Other characteristics of a charitable organization is that it is non-profit body; the funds owned by the organisation will not be available to any member for personal use; and the organisation does not charge fees for its services.

FS: Is a charitable organisation exempt from tax?

ACEO: An organisation that has been registered under the Charitable Trusts Act or any other Act by its members is not automatically exempt from paying income tax. A charitable organization must request for a tax exemption and if the organization satisfies the guidelines and conditions as outlined in the Act, FRCA will give its approval. However, any business income of a non-profit organization is taxable.

FS: How do charitable organisations apply for a tax exemption?

ACEO: To qualify for exemption from income tax, an application in writing must be made to FRCA. The contents of the Articles of Association, Memorandum of Agreement or Trust objectives should be attached which will enable FRCA to make a decision. In the case of a new of new charitable organisations that have not registered with FRCA, the application must be submitted with the taxpayer registration form. Charitable organisations and other bodies – religious , academic, clubs, associations etc. will only be regarded as non-profit organization if certified by the FRCA. Under the new Income Tax Act 2015, FRCA must certify that an organisation is an NPO, any person not certified will be required to pay tax on their income.

FS: How does an organization qualify for charitable status for tax purposes?

ACEO: To qualify to be a charitable organization, the institution must be a registered charitable organisation with the Registrar of Trust; it must provide relief to the poor or distress of the public and or promote religion; the income derived must benefit all Fijians within Fiji; members should not receive any benefit of any kind; the funds owned by the organisation will not be available to any member for personal use; the assets of the organisation will not be available to any member for personal use upon cessation; and the assets will be distributed to other charitable organisations. Once FRCA registers an organization as charitable for tax purpose, donors will be allowed a deduction on the donations made to this approved charitable organization.

FS: How about companies giving Charitable Donations?

ACEO: If a company whose income is subject to income tax and have made a donation to an approved charitable or academic organisation, or any of the non-profit organisations approved by FRCA, the company can claim a deduction provided the conditions are met.

FS: How much deduction will a company get for providing a charitable donation to a Charitable organization?

ACEO: A company is allowed 100% deduction for a cash donation made in a tax year to an approved charitable institution. A deduction is allowed only for a cash donation and not for an in-kind donation. However, one should note that that the total deduction allowed for cash donations made by a company to an approved charitable organization in a tax year must not exceed \$100,000.

FS: How about donations by companies for education and for poverty relief, are they also allowed a deduction?

ACEO: A company is allowed a deduction of 150% of the amount of a donation to the Fiji Heritage Foundation. For example, if a person has donated \$100,000 to the Fiji Heritage Foundation in a tax year, the amount of the deduction is \$150,000.

FS: How much deduction is a company allowed for donating for education and for poverty relief?

ACEO: On the Poverty Relief Fund for Education, a 200% deduction is allowed on a cash donation made exceeding \$50,000. For example, if a person has donated \$100,000 to the Poverty Relief Fund for Education in a tax year, the amount of the deduction is \$200,000; or the donation is \$40,000 it will not be entitled to a deduction.

A deduction is allowed for the cost of new computers, laptops, and tablets donated to schools registered with the Ministry of Education. The amount of the deduction is 200% of the cost if the school is in a remote area and 150% of the cost for any other school. The deduction is allowed only if the total cost for the tax year of the donated computers, laptops, and tablets is \$10,000 or more up to the maximum cost of \$100,000. In each case, the deduction is allowed in the tax year in which the donation is made.

FS: How much deduction is a business allowed if they donate towards disasters?

ACEO: A taxpayer carrying on a business can claim a deduction amounting to 150% of the amount of cash donated in a tax year to the Disaster Rehabilitation Fund. The minimum cash donation is \$10,000 and maximum cash donation is \$100,000.

E.g. e.g. if a taxpayer donate \$5,000 there will be no deduction.

Donation = Income Tax Deduction

\$10,000 = \$15,000

\$100,000 = \$150,000

\$200,000 = \$150,000

FS: Now that Sevens National Coach Mr. Raione has left is there a deduction for businesses that donates towards recruiting international coaches in Fiji?

ACEO: A company can claim a deduction amounting to 150% of the amount of a cash donation made in a tax year towards the hiring of international sporting coaches. The allowable deduction will be limited to a minimum contribution of \$100,000 and maximum of \$200,000

e.g. if a taxpayer donate \$80,000 there will be no deduction.

Donation = Income Tax Deduction

\$110,000 = \$165,000

\$200,000 = \$300,000

\$210,000 = \$300,000

FS: What is the total deduction allowed to a business for donating towards the housing of squatters?

ACEO: A company or person carrying on business as a sole trader a deduction for a 150% of the amount of a cash donation made in a tax year to the Government for an approved housing project for the relocation of squatters. The deduction applies only cash donations and not in-kind donations and the deduction is only for the first \$50,000 of a cash donation. Any taxpayer in business can claim this deduction.

Eg if a taxpayer donated \$5000 the deduction allowable is \$7500; Cash donation of \$50,000 entitled to a deduction of \$75000. A deduction of \$100,000 will be entitled \$75,000. Donation of building materials will not be allowed as a deduction.

FS: An employee making a donation towards a disaster relief or any relief for that matter, will he or she be getting a deduction e.g. in their employment income?

ACEO: The tax incentives are only allowable against taxable business income, therefore an employee will not be able to claim a tax deduction for any donations made.