

10

Charities and deductible gifts

OVERVIEW

As at the end of October 2010, there were:

- 53,773 tax concession charities, a 1.9% increase on October 2009
- 27,028 active deductible gift recipients, a 1.8% increase on October 2009

For the 2008–09 income year, individuals claimed \$2,093 million in deductible gifts, a decrease of 10.8% on the previous year and the first decrease in the last ten years.

For the 2009–10 financial year, charities claimed \$631.9 million in refundable franking credits, an increase of 14.0% on the previous year.

NEW FEATURES AND INFORMATION

On 1 October 2009, existing prescribed private funds became private ancillary funds. Prescribed private funds are no longer prescribed in the tax law and instead obtain their deductible gift recipient status through the endorsement process. The category under which these funds may seek deductible gift recipient endorsement is the new category for private ancillary funds. Accordingly, this chapter refers to private ancillary funds rather than prescribed private funds.

One table has been added to this chapter providing new information on the number of employees by type of tax concession charity (table 10.3). There is a new more detailed table on the employees of tax concession charity employers by type and salary and wages including reportable fringe benefits (detailed table 5).

INTRODUCTION

This chapter provides information about:

- entities that have applied for and been granted tax concession charity status or deductible gift recipient status
- private ancillary funds donations and distributions
- the amounts claimed by individuals for donations to deductible gift recipients.

Information on endorsed income tax exempt entities and deductible gift recipients that have claimed refundable franking credits from the ATO is also provided.

TAX CONCESSION CHARITY

A charity is an institution or fund established and operated for altruistic purposes that the law regards as charitable.

Charitable purposes are:

- the relief of poverty
- the relief of the needs of the aged
- the relief of sickness or distress
- the advancement of religion
- the advancement of education
- the provision of child care services on a non-profit basis,
- other purposes beneficial to the community.

The characteristics of a charity are:

- it is an entity that is also a trust fund or an institution
- it exists for the public benefit or the relief of poverty
- it is non-profit
- its sole purpose is charitable.

A charity with an Australian business number may be entitled to seek endorsement from the ATO for the following concessions:

- 1 Income tax exemption – it is not required to pay income tax and is generally not required to lodge an income tax return.
- 2 Goods and services tax (GST) charity tax concessions – including being able to use cash rather than non-cash accounting for GST and enabling certain supplies to be GST-free or input-taxed rather than taxable.
- 3 Fringe benefits tax (FBT) rebate – certain charitable institutions are entitled to a rebate of FBT equal to 48% of the gross FBT payable, subject to a capping threshold.
- 4 FBT exemption – benefits provided by certain charitable institutions to their employees are exempt from FBT, subject to a capping threshold.

Many community organisations are not charities. An entity is not a charity if:

- it is primarily for sporting, recreational or social purposes
- it is primarily for political, lobbying or promotional purposes
- its purpose is illegal or against public policy
- it is primarily for carrying on a commercial enterprise to generate surpluses.

The most common charitable purpose of charities is social and community welfare, which accounted for 43.8% of all tax concession charities and 89.9% of all tax exempt fringe benefits.

TABLE 10.1: Main charitable purpose¹ of tax concession charities²

Main charitable purpose	Number of tax concession charities	Income tax exempt charity	Fringe benefits tax exempt	Tax concessions	
				Fringe benefits tax rebatable	GST concession
Social and community welfare	23,547	23,459	9,681	10,894	23,179
Religion	12,214	12,195	4	11,320	11,909
Education	9,160	9,152	6	8,061	8,902
Health	2,191	2,178	1,062	438	2,072
Culture	1,554	1,550	0	1,253	1,460
Natural environment	584	582	0	465	533
Other	4,523	4,496	14	2,973	4,238
Total	53,773	53,612	10,767	35,404	52,293

1 As indicated on the application for endorsement as a tax concession charity or income tax exempt fund (NAT 10651-12.2005).

2 Active tax concession charities as at 31 October 2010.

The tax concessions a charity can apply and be endorsed for depend on its entity type. More information on concessions available to charities can be found on our website at www.ato.gov.au

TABLE 10.2: Entity type¹ of tax concession charities²

Entity type	No.
Charitable institution	37,156
Public benevolent institution	10,019
Charitable fund	5,665
Health promotion charity	933
Total	53,773

1 As indicated on the application for endorsement as a tax concession charity (NAT 10651-12.2005).
2 Active tax concession charities as at 31 October 2010.

During the 2008–09 income year there were 667,943 individuals employed by tax concession charities able to provide fringe benefits exempt from FBT. Less than half (37.1%) of these employees had reportable fringe benefits reported in their payment summaries, with grossed up reportable fringe benefits totalling approximately \$5.0 billion. The majority of the benefits (98.5%) were exempt from FBT.

TABLE 10.3: Number of employees¹ by type of tax concession charity, 2008–09 income year²

	Number of employees ¹	Employees receiving reportable fringe benefits		Value of reportable fringe benefits ³	
		Below the cap ⁴	Above the cap ⁴	Below the cap ⁴	Above the cap ⁴
		No.		\$m	
Health promotion charity	21,892	11,825	498	301	7
Public benevolent institution	475,782	141,924	6,481	3,332	38
Public hospital	170,269	84,036	2,872	1,334	31
Total⁵	667,943	237,785	9,851	4,967	75

1 The number of employees can include the same individual more than once where an individual may have worked for different organisations in the same income year.

2 Data for the 2008–09 income year includes data processed by 31 October 2010.

3 This shows the value of grossed up reportable fringe benefits as reported on individual payment summaries.

4 'The cap' refers to the capping thresholds that apply to benefits provided by an employer for each employee during a FBT year which are FBT exempt. An organisation will be liable for FBT on the benefits provided above the capping thresholds.

5 Totals may differ slightly from the sum of the components due to rounding.

DEDUCTIBLE GIFT RECIPIENTS

Deductible gift recipients (DGRs) are certain types of organisations that can receive tax deductible gifts. These organisations either need to be endorsed by the ATO, or to be specifically listed by name in the income tax law. To be endorsed by the ATO, the organisation needs to fall within one of the DGR general categories, and apply to the ATO for deductible gift recipient status.

The majority of deductible gift recipients are endorsed by the ATO.

TABLE 10.4: Deductible gift recipients¹, by type²

Deductible gift recipient type	No.
Public benevolent institutions	11,359
School or college building fund	4,571
Ancillary funds	1,675
Public library	1,603
Public fund on the register of cultural organisations	1,233
Health promotion charity	931
Private ancillary funds	863
Public museum	577
Public fund for persons in necessitous circumstances	518
Public fund on the register of environmental organisations	510
Scholarship fund	368
Public hospital	360
Public fund for religious instruction in government schools	280
Government special school	204
Overseas aid fund	191
Specifically listed in the Income Tax Assessment Act	179
Public art gallery	174
Approved research institute	157
Animal welfare charity	136
Institution consisting of a public library, public museum and public art gallery or of any two of these bodies	105
Public institution for research	104
Public fund for public benevolent institutions	92
Non-profit hospital	87
Public university	84
TAFE	81
A public fund established and maintained for the purpose of providing money for the provision of public ambulance services	70
Residential educational institution	66
Charitable services institution	56
Public fund on the register of harm prevention charities	54
Other ³	340
Total	27,028

1 Organisations with active DGR status as at 31 October 2010.

2 Type as identified on the DGR application form (NAT 2948-06.2005).

3 Other includes 21 DGR types.

PRIVATE ANCILLARY FUNDS

A private ancillary fund is a new category of deductible gift recipient that came into effect from 1 October 2009. From this date, existing prescribed private funds became private ancillary funds. Private ancillary funds are endorsed by the ATO as deductible gift recipients rather than prescribed in the tax law and new legislative guidelines were introduced to govern their operation.

A private ancillary fund is a trust to which taxpayers can make tax deductible donations. The fund may make distributions only to other deductible gift recipients that have been either endorsed by the ATO or are listed by name in the income tax law. Private ancillary funds are required to comply with the rules in the private ancillary fund guidelines. The guidelines address such issues as distributions, accounts, documents that a trustee may have to provide to the ATO and governance expectations for these funds. All trustees of the fund must comply with those rules and penalties may apply to those that fail to comply.

The total number of private ancillary funds increased by 11.6% during the 2008–09 financial year.

TABLE 10.5: Number of new and total private ancillary funds, 2007–08 and 2008–09 income year

	2007–08 ¹	2008–09 ¹
Number approved	170	89
Total approved	769	858

1 Data for the 2007–08 and 2008–09 financial year includes data processed up to 31 October 2009 and 31 October 2010 respectively.

In the 2008–09 financial year the value of donations to private ancillary funds decreased, in part because of a large one-off donation that was made in the 2007–08 financial year. If this one-off donation is not taken into account there would have been a smaller decrease in the value of donations.

Distributions from private ancillary funds increased 18.3% during the 2008–09 financial year. The welfare and rights category received the largest amount of distributions, representing 36.3% of all distributions. The cultural organisations category had almost double the value of distributions made increasing by around \$9 million dollars or 94.5% from 2007–08 to 2008–09.

TABLE 10.6: Donations to and distributions of private ancillary funds, 2007–08 and 2008–09 income years

	2007–08 ¹	2008–09 ¹
	\$m	\$m
Donations received	728	272
Distributions made		
Health	8	14
Education	13	19
Research	11	3
Welfare and rights	41	56
Defence ²	0	..
Environment	14	14
Industry, trade and design ²	0	..
Family	0	1
International affairs	11	14
Sports and recreation ²	..	2
Philanthropic trusts ²	0	..
Cultural organisations	10	19
Specific listed DGRs ³	14	n.a.
Ancillary fund DGRs	7	7
Not a DGR ²	..	1
Not a DGR but a tax concession charity (TCC) ²	..	1
Other	0	1
Total⁴	129	153
Closing value	1,890	2,016

1 Data for 2007–08 and 2008–09 financial year includes data processed up to 31 October 2009 and 31 October 2010 respectively.

2 ‘..’ means rounded to zero but not zero.

3 Specific Listed DGRs has been absorbed across all individual items and no longer appears separately.

4 Totals may differ slightly from the sum of the components due to rounding.

DEDUCTIBLE GIFTS

While various entities are able to make tax deductible donations to deductible gift recipients, these donations are only separately reported to the ATO on the tax return for individuals. Donations can take many forms, including cash, shares, property, trading stock, cultural gifts and bequests and heritage gifts.

Overall, the number of individuals who claimed a gift or contribution as a deduction increased by 3.7% for the 2008–09 income year, however the amount claimed decreased by 10.8%. The largest decrease in value of donations occurred amongst those individuals claiming deductions of more than \$25,000.

TABLE 10.7: Individuals' gifts claimed, by amount claimed, for the 2007–08 and 2008–09 income years

Amount of gifts claimed \$	2007–08 ¹		2008–09 ¹	
	No.	\$m	No.	\$m
1–25	1,044,003	16	962,716	14
26–50	838,163	35	816,012	35
51–250	1,421,403	179	1,597,930	205
251–1,000	914,927	462	977,618	497
1,001–5,000	230,535	441	260,211	491
5,001–10,000	21,419	146	21,968	150
10,001–25,000	9,334	136	9,504	139
More than 25,000	4,169	930	3,687	563
Total²	4,483,953	2,346	4,649,646	2,093

1 Data for the 2007–08 and 2008–09 income years includes data processed up to 31 October 2009 and 31 October 2010 respectively.

2 Totals may differ slightly from the sum of the components due to rounding.

For the 2008–09 income year, 37.8% of individuals claimed a gift or contribution to a deductible gift recipient as a deduction in their income tax return. For 83.8% of these individuals, their contribution represented 1% or less of their total income.

TABLE 10.8: Individuals' gifts as a percentage¹ of total income, for the 2008–09 income year²

Gifts as a percentage of total income	No.	Gifts \$m
No gifts claimed	7,642,069	0
More than 0% to 0.25%	2,553,272	156
More than 0.25% to 0.5%	738,104	162
More than 0.5% to 0.75%	373,782	139
More than 0.75% to 1%	232,140	115
More than 1% to 2%	394,498	283
More than 2% to 3%	132,281	147
More than 3% to 4%	64,133	95
More than 4% to 5%	37,448	71
More than 5% to 6%	24,297	57
More than 6% to 7%	16,942	45
More than 7% to 8%	13,038	41
More than 8% to 9%	10,036	34
More than 9% to 10%	8,468	34
More than 10%	51,207	713
Total gifts	4,649,646	2,092

1 The percentage is the gifts divided by total income multiplied by 100.

2 Data for the 2008–09 income year includes data processed up to 31 October 2010.

More information on gifts claimed by individuals can be found in detailed tables 2 and 3.

REFUNDABLE FRANKING CREDITS

Franking credits attached to franked dividends received by certain entities may be refundable, provided eligibility criteria are met. These entities include endorsed income tax exempt entities, deductible gift recipients, public funds declared by the Treasurer to be developing country relief funds and exempt institutions that are eligible for a refund under a Commonwealth law other than the income tax law.

In June of each year, the ATO sends a personalised refund application package to eligible organisations that applied for and received a refund in the previous financial year. Organisations claiming for the first time are required to contact the ATO.

The value of refundable franking credits grew by 14.0% in 2009–10.

TABLE 10.9: Refundable franking credits, by amount refunded, 2008–09 and 2009–10 financial years

Amount paid	2008–09 ¹		2009–10 ¹	
	Claims	\$m	Claims	\$m
Under \$100,000	3,806	42.5	3,918	55.2
\$100,001–\$500,000	338	74.4	336	72.6
\$500,001–\$1,000,000	46	33.9	53	36.4
Over \$1,000,000	48	403.4	48	467.7
Total²	4,238	554.2	4,355	631.9

¹ Claims processed during the financial year, 1 July to 30 June.

² Totals may differ slightly from the sum of the components due to rounding.

SOURCE OF CHARITIES AND DEDUCTIBLE GIFTS STATISTICS

The statistics in this chapter are sourced from tax concession charity and deductible gift recipient status application forms, 2008 and 2009 individual income tax returns processed by 31 October 2009 and 31 October 2010 respectively, and from applications for a refund of franking credits.

The statistics relating to employees of tax concession charities in this chapter are sourced from PAYG payment summaries for the 2009 income year that were received by 31 October 2010.

LIST OF CHARITIES AND DEDUCTIBLE GIFTS DETAILED TABLES

The following detailed tables are on the attached CD-ROM and included in the online version of this publication on our website at www.ato.gov.au. The tables may be viewed or downloaded as PDF or Excel files.

Table 1: Refundable franking credits for endorsed income tax exempt entities and deductible gift recipients, 2001–02 to 2009–10 financial years

This table shows the number of claims and the value of franking credits claimed by charities for the 2001–02 to 2009–10 financial years.

Table 2: Individuals' gifts claimed, by state and amount claimed, for the 2008–09 income year

This table shows the number of individual gifts claimed, by the amount claimed, broken down by state/territory for the 2008–09 income year.

Table 3: Individuals' gifts as a percentage of total income, for the 2008–09 income year

This table shows the number of individual gifts claimed, by a percentage of total income, broken down by state/territory for the 2008–09 income year.

Table 4: Private ancillary fund donations and distributions, for the 2001–02 to 2008–09 financial years

This table shows the total donations made to and distributions from private ancillary funds (previously listed as prescribed private funds) for the 2001–02 to 2008–09 financial years. Distributions are broken down by the category type.

Table 5: Employees of tax concession charities by type and remuneration for the 2008–09 income year

This table shows the number of employees employed by public hospitals, public benevolent institutions and health promotion charities. It also shows the amount of salary and reportable fringe benefits reported for these individuals grouped by the sum of this income.