



***PS LA 2005/12 - Income tax - small cash
gifts/donations made to the recent Boxing Day 2004
Tsunami appeal 'bucket collections'***

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FOI status: may be released

This Practice Statement is issued under the authority of the Commissioner and must be read in conjunction with Law Administration Practice Statement PS LA 1998/1. It must be followed by ATO officers unless doing so creates unintended consequences. Where this occurs ATO officers must follow their Business Line's escalation process.

SUBJECT: **Income tax - small cash gifts/donations made to the recent Boxing Day 2004 Tsunami appeal 'bucket collections'**

PURPOSE: **To provide guidance on when the Tax Office will accept that an individual taxpayer who is not carrying on a business has taken reasonable care in claiming tax deductions for small cash gifts/donations made to a Boxing Day 2004 Tsunami appeal 'bucket collection'.**

STATEMENT

1. This Practice Statement provides guidance on what the Tax Office will accept as showing that a reasonable standard of care has been taken by a taxpayer in fulfilling his or her tax obligations when claiming a tax deduction for a small cash donation made to a deductible gift recipient's (DGR) Boxing Day 2004 Tsunami appeal 'bucket collection' where no receipt is given or requested.
2. Under the income tax laws, if a person makes a monetary gift or donation of \$2 or more to a DGR, they are allowed a deduction for the amount they gift or donate. For an individual who does not carry on a business there is no legislative requirement to substantiate but donors must be able to produce supporting documentary evidence if required. A receipt satisfies this requirement.
3. However, as part of the widespread and immediate public response to the Boxing Day 2004 Tsunami disaster people made donations to 'bucket collections' of spare change. It was not practicable to issue or request receipts in respect of these donations. As explained in the preceding paragraphs, provided they take reasonable care in preparing their return, a taxpayer who has made one or more small cash donations, each of \$2 or more, to 'bucket collections' conducted by DGRs in respect of their Boxing Day 2004 Tsunami appeals, can claim a deduction for the amount(s) they have donated. In relation to the income year ending 30 June 2005, where the deduction claimed for these donations does not exceed \$10, we will accept that the taxpayer has donated the amount claimed even though they have not obtained receipts or other evidence.

EXPLANATION

Background

4. Division 30 of the *Income Tax Assessment Act 1997* (ITAA 1997) deals with the making of gifts or contributions. Section 30-15 states that you can deduct the amount of a cash gift or contribution that you make to a fund, authority or an institution that is endorsed as a deductible gift recipient (DGR).
5. If a taxpayer makes a gift to a DGR (or one of its authorised collectors) and the DGR gives them a receipt, section 30-228 of the ITAA 1997 provides that the receipt must state the name of the fund, the Australian Business Number of the fund (if it has one) and the fact that the receipt is for a gift. However, a DGR is not obliged to give a receipt for a donation, even though it usually will do so if requested.
6. Persons who carry on a business are required to keep records that record and explain all transactions and other acts engaged in by the person that are relevant for the purposes of the income tax acts (section 262A of the *Income Tax Assessment Act 1936*).
7. However there are no specific legislative record keeping requirements applicable to individuals who are not carrying on a business in relation to gifts made to a charity that is a DGR.
8. Individuals who do not carry on a business are also required to keep records in accordance with the substantiation provisions for work expenses (Division 900 of the ITAA 1997). However, these provisions do not apply to gifts made to charities as they do not fall within the definition of a work expense.
9. Accordingly the specific provisions within subdivisions 900-E and 900-H of the ITAA 1997 which provide relief from substantiation for small expenses and which give the Commissioner a discretion to provide relief from the substantiation provisions in certain circumstances are also not applicable to gifts made to charities.
10. Even though there are no specific legislative record keeping requirements in respect of gifts made to a charity that is a DGR it is advisable for taxpayers who do not carry on a business to keep records of transactions and acts that may affect their taxable income.
11. Under our system of self assessment, taxpayers are expected to provide complete and accurate information in their tax returns. Information on a tax return prepared without independent documentation should have a reasonable basis to support it. For gifts, this will typically be a receipt.
12. The recent Boxing Day 2004 Tsunami appeals, made through 'bucket collections' by DGRs (for example, the Salvation Army, Aust Care, Care Australia or Red Cross) for the Asian and African victims of the Boxing Day 2004 tsunami, represent circumstances in which it was not always practical to request or issue receipts for donations. A list of some of the tsunami relief funds that are operated by DGRs can be found on the following [fact sheet](#).
13. A taxpayer who has made one or more small cash donations, each of \$2 or more, to 'bucket collections' conducted by DGRs in respect of their Boxing Day 2004 Tsunami appeals, can claim a deduction for the amount(s) they have donated. In

view of the special circumstances surrounding charity efforts associated with the 2004 tsunami disaster, total deductions claimed for these donations in the income year ending 30 June 2005, that do not exceed \$10, will be accepted without the existence of receipts.

<i>subject references</i>	Gifts Donations Deductible gift recipient Substantiation Deductions Record keeping
<i>legislative references</i>	<i>Income Tax Assessment Act 1997</i> Division 30 <i>Income Tax Assessment Act 1997</i> Division 121 <i>Income Tax Assessment Act 1997</i> Division 900 <i>Income Tax Assessment Act 1997</i> section 30-15 <i>Income Tax Assessment Act 1997</i> section 30-228 <i>Income Tax Assessment Act 1936</i> section 262A
<i>related public rulings</i>	
<i>related practice statements</i>	
<i>related fact sheet</i>	Aid for victims of the tsunami
<i>case references</i>	
<i>file references</i>	05/3253

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Other Business Lines consulted	Small Business; OCTC; TechNet