

Fact Sheet

Donations & Giveaways



OVERVIEW

DONATIONS AND GIVEAWAYS

Over the course of the year, some businesses may pay money to charitable organisations, schools or fundraisings. Although, these payments are often labelled as 'donations', these amounts are not always tax deductible. The ATO makes a clear distinction between a Donation (Tax Deductible) and a Gift/Giveaway (Non-Tax Deductible) From an accounting and record keeping point of view, it is important to make the correct Income Tax determination for these transactions.

Neither Donations nor giveaways attract GST.

DEFINITIONS

DONATIONS VS GIVEAWAYS

Donations

Organisations that are entitled to receive tax deductible donations must be registered as **Deductible Gift Recipients (DGRs)** by the ATO.

Giveaways

Contributions paid to Organisations that are not Deductible Gift Recipients (schools or sports and recreation teams) are not tax deductible. Furthermore, businesses cannot deduct contributions which provide personal benefits. This includes: membership fees to charitable organisations, raffles or art union tickets and cost of attending fundraising events.

DEFINITIONS

EMPLOYEE DONATIONS (WORKPLACE GIVING PROGRAMS)

Workplace Giving

Employees can ask their employers to make donations to DGR charity on their behalf by deducting money from their salary or wages. As this is a tax-deductible cost for the employee, the donation amount can be deducted from their gross wages. Employers must report these payments to the ATO as Workplace Giving Programs.

TAX TREATMENT DETERMINE THE TYPE OF PURCHASE – DONATIONS VS GIVEAWAYS

A donation can be tax deductible if it meets the following conditions:

Recipients	The gift is made to a Deductible Gift Recipient (DGR). Note: this information is available on the ABN Look Up Site
Amount	The Donation amount must be over \$2.
Nature	The donation must be truly a gift: a voluntary transfer of money or property where no material advantage or personal benefit is earned.
Type	The donation must be money or property, which includes financial assets.

RECORD KEEPING ACCOUNTS

Whether the donation is Tax claimable or not, these contributions should still be reported in the company P&L. A company that donates money to both DGR and Non DGR organisations should create two separate expense accounts.

Account Name	Tax Code
Donations	GST
Giveaways	BAS Excluded (N-T)

RECORD KEEPING RECORDING TRANSACTIONS

These transactions can be recorded either as Purchases or Spend Money, it is recommended to include the contact details for each transaction.

The DGR organisation is required to provide a Receipt to the business acknowledging the value of the donation.



FREQUENTLY ASKED QUESTIONS

Is there a dollar value limit to a Tax-Deductible donation?

The ATO does not specify a limit, however it is recommended to speak to your Tax Advisor before you donate large sums of money.

We buy a number of items which we donate to a local club for a Christmas charity raffle. Can we deduct the cost of these items as a Donation?

Unfortunately, not, this will be considered as a non-deductible giveaway.

Over Christmas our business collects, and buys presents for homeless children. The presents are then given to the local Parish. Is the cost of these presents tax deductible as a Donation?

Unfortunately, not, this will be considered as a non-deductible giveaway.



CASE SCENARIO - THE CHRISTMAS GIFT

SCENARIO A

A company decides to purchase 3 event tickets and 10 raffle tickets for a School Fate. The total cost of the tickets is \$200.

Outcome

Type/Account: → Giveaways
Income Tax Deductible → No
GST Credit → No

SCENARIO B

A company decides to pay a \$200 donation to the Red Cross for Christmas. Three of the company employees would also like to donate \$100 from their pay.

Outcome

Business \$200 Donations

Type/Account: → Donations
Income Tax Deductible → Yes
GST Credit → No

Employees \$100 Donation

Type/Account → Workplace Giving
Income Tax Deductible → Yes (for the employees' Income Tax)