

Tax effective giving...

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Introduction

- Tax deductibility
- When is a gift deductible
 - The rules
 - Examples
- Fundraising events



When is a gift tax deductible?

- Must be to a DGR
- Must be a gift?
 - voluntary (although can be conditional, ie for a specific purpose)
 - cannot expect any material tangible benefit in return
- Must be money or property
 - No deduction for gift of services
- Does not include testamentary gifts



When is a gift tax deductible?

- Types of gifts
 - Cash
 - Property (<12 months)
 - Lesser of market value or cost of asset
 - Trading stock
 - Market value
 - Other assets >\$5,000
 - Valued by the Commissioner
 - >12 months
 - Shares in listed public companies <\$5,000
 - acquired at least 12 months before
 - Market value



When is a gift tax deductible?

- Types of gifts
 - Cultural gifts
 - Culturally significant gifts
 - The Australiana fund, Artbank, public libraries/museums/art galleries
 - Exempt from CGT
 - Heritage gifts
 - Gift of places
 - Significant natural, indigenous or historic heritage value
 - National Trust DGR only



The rules...

- Cannot create or increase a tax loss
- Option to 'spread' deduction over 5 years
 - Money
 - Property >\$5,000
 - Specify amount of deduction each year



Contributions...

- Eligible fundraising events
 - a right to participate in a fundraising event (for example, the purchase of a ticket to attend a charity ball), and
 - a successful bid at a charity auction conducted by a DGR.
- the contribution must be:
 - Cash > \$150
 - property < 12 months, valued at more than \$150
 - property valued at more than \$5,000, or
 - shares < 12 months, \$150: \$5,000
 - the benefit must be no more than 20% of the value of the contribution or \$150, whichever is less.

Example:

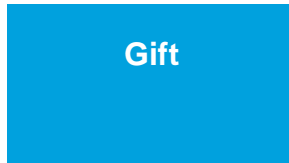
- Gess pays \$260 to attend a charity golf game hosted by a DGR.
- The market value of an 18-hole golf game is \$20.
- Gess will be eligible to claim a tax deductible contribution of \$240 ($\$260 - \20) as the market value of the golf game (the minor benefit received) does not exceed the lesser of \$150 and 20% of the value of her contribution (\$52).



Examples...

	No spread	Spread gift FY2011	FY 012
Taxable income	\$3,000	\$3,000	\$15,000
Donation	(\$10,000)	(\$3,000)	(\$7,000)
Tax income/ tax loss	(\$7,000)	nil	\$8,000
Losses / donation carried fwd	nil	\$7,000	nil

Trading stock



Market value of stock	\$3,000
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Less cost of stock	(\$2,000)
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Less gift	(\$3,000)
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Taxable income	(\$2,000)
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Gift to reduce capital gain

	Gift	No Gift
Capital gain	\$50,000	\$50,000
Gift	-	(\$10,000)
Taxable income	\$50,000	\$40,000
Tax payable	(\$23,250)	(\$18,600)
Net cash after tax	\$26,750	\$21,400
Personal cost of gift		\$5,350

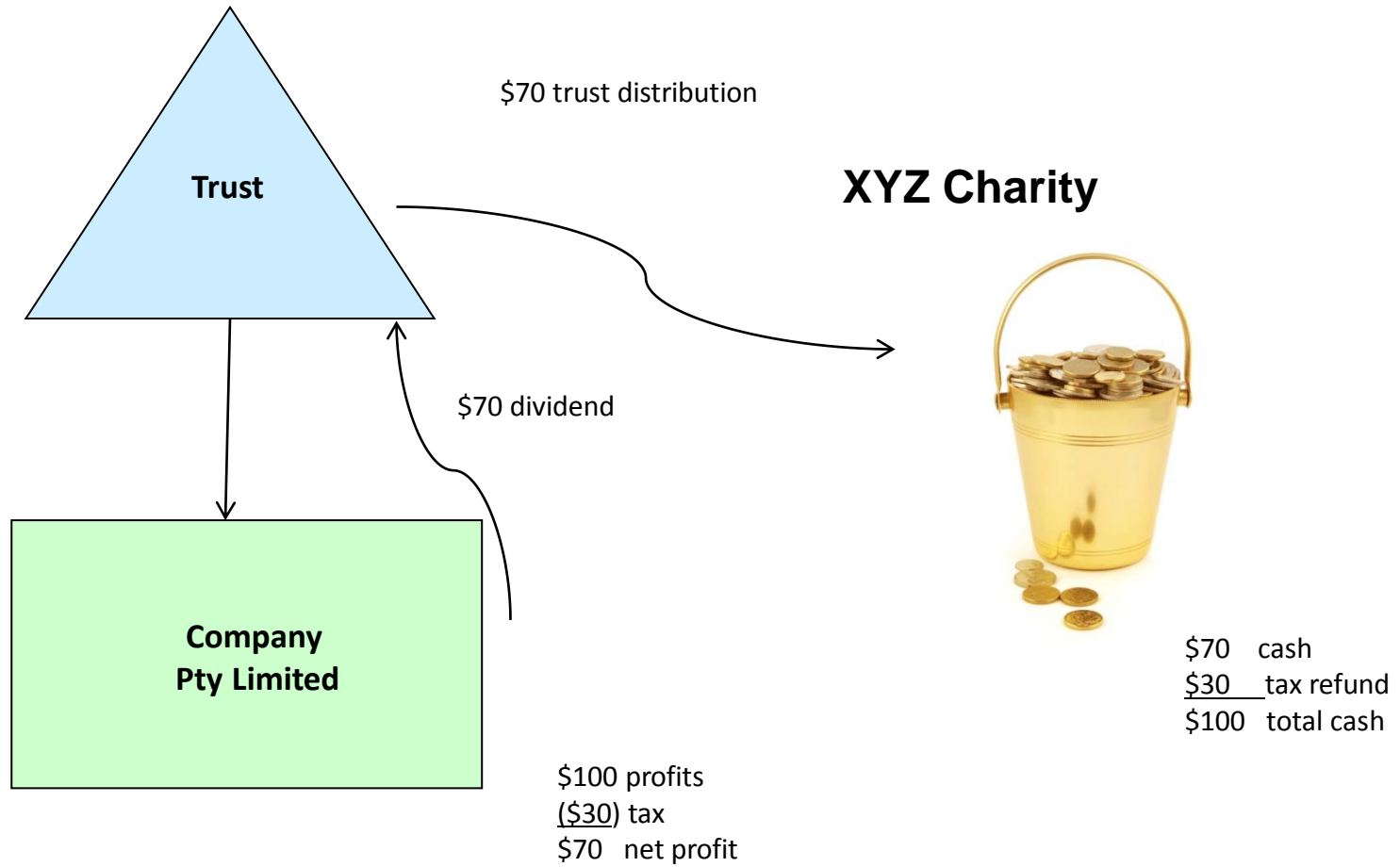


Examples: Valuation cost

	Against gain	Deduct as expense
Gross capital gain	\$50,000	\$50,000
Less valuation cost	(\$6,000)	-
Net gain	\$44,000	\$50,000
Discount	(\$22,000)	(\$25,000)
Taxable gain	\$22,000	\$25,000
Valuation expense	-	(\$6,000)
Taxable income	\$22,000	\$19,000



Not a DGR?





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