



**Philanthropy New Zealand**  
Tōpūtanga Tuku Aroha o Aotearoa



## **Generosity and Taxation: An Overview**

Prepared for Philanthropy New Zealand by



PO Box 2453, Wellington • T: + 64 4 473 6565 • F: + 64 4 473 6575 • M: 027 218 5807  
info@saintsinformation.co.nz • www.saintsinformation.co.nz

2nd October 2006

## Table of Contents

Introduction .....	3
Background .....	3
Objectives .....	3
Structure and Methodology .....	4
Scope .....	5
 New Zealand Context.....	 6
Philanthropy in New Zealand.....	6
Who Qualifies for Tax Relief on Charitable Donations?.....	7
Tax treatment of imputation credits to charities .....	9
 Incentives for Generosity .....	 10
Reasons for Giving.....	10
Global Philanthropic Initiatives .....	11
The Influence of Taxation Incentives.....	16
 Individual Giving .....	 20
The 20% .....	20
Trusts .....	21
Bequests .....	25
The 80% .....	27
Community Foundations .....	28
Payroll Giving or Employee Giving.....	30
Share Donation Programmes.....	32
E-Philanthropy/Giving .....	34
Volunteering .....	36
 Corporate Giving .....	 39
Type of Activity .....	42
 Summary .....	 43
 Bibliography .....	 44

# Introduction

## Background

In 2001, the Labour-led Government produced the discussion document "Tax and Charities". This covered all aspects relating to the definitions of charitable purpose, reporting requirements for charities, tax treatment of donations, imputation tax, fringe benefit tax, GST etc. It also signalled the Government's commitment to increase tax relief for charitable donations once more information had been gathered about the giving behaviours of New Zealanders. The Tax and Charities discussion document was the most recent opportunity that the constituents of the New Zealand Community and Voluntary Sector (the Sector) had to provide feedback via submissions on tax issues relating to the Sector.

Early in 2006, United Future (as part of the supply and confidence agreement with the Labour-led government) announced: "the development of a new tax rebate regime for charities to be implemented in the current parliamentary term". Since that time, key players in the Sector led by Philanthropy New Zealand have been involved in advising the Inland Revenue Department (IRD) on an appropriate consultation process leading up to the next Discussion Document that will form the basis of a new round of submissions.

The Discussion Document will canvass policy options aimed at reinforcing and encouraging giving by providing further incentives to those who donate money and/or give of their time and skills to charities and other non-profit organisations. It will examine the methods used to encourage people to donate to charities, such as workplace giving, a private charitable trust model, and tax deductions for non-cash deductions. The document will also look at non-tax initiatives to promote generosity and the concept of giving in New Zealand. It should be noted that the issue of refunding imputation credits to charities is not covered in the Discussion Document.

The Discussion Document will be released in late October 2006 and will be open for submissions for six weeks. To assist those from the Community and Voluntary Sector who wish to make submissions, Philanthropy New Zealand has commissioned this paper with the following objectives:

## Objectives

To provide a paper what will:

- Reflect the key findings from the extensive research on generosity commissioned by Philanthropy New Zealand since 2002
- Reflect the key findings from other related research
- Reflect the key initiatives that have occurred internationally with the aim of stimulating generosity, particularly in the UK, Canada and Australia
- Provide a bibliographic reference point

## Structure and Methodology

The researchers considered the wide audience of the paper to be the most significant influencer in its structure and methodology. Because readers will come to the document from a range of perspectives and passions for the focus of their submissions, it is structured so that all information relating to a particular aspect is presented together. For example, the section covering payroll giving has a discussion of the international milestones around the topic, the New Zealand situation, reference to tax issues where available, and web links for further reading if of interest.

On a broader structural scale, the paper is divided into Individual Giving and Company Giving. Within the Individual Giving section, the areas of discussion are differentiated by the relative wealth of the individual. In general, wealthy individuals and the general public are philanthropically motivated by different factors – tax relief in particular. For the purposes of neatly dividing the two groups, the researchers will apply the Pareto Principle, which is commonly referred to in fundraising. That is, that 80% of an organisation's income will come from 20% of its supporters. Therefore, the high-level donors will be referred to as "The 20%" and everyone outside this group will be referred to as "The 80%".

Using the information available in books, reports, journal articles, news articles and the internet on the New Zealand situation and abroad, this paper on generosity and taxation has the following structure:

1. New Zealand Context
2. Incentives for Generosity - including outlining reasons why people give and what significant initiatives have been introduced internationally to encourage philanthropy. The influence of tax incentives is part of this discussion
3. Individual Giving
  - "The 20%" – characteristics and the vehicles they use for philanthropy including trusts and bequests
  - "The 80%" – characteristics and the vehicles they use for philanthropy including community foundations, payroll giving, share donation programmes, E-philanthropy and volunteering
4. Corporate Giving
5. Bibliography

## Scope

The paper is intended to provide an introduction to all the relevant issues and a basis for research for those who intend to make submissions. An extensive bibliography and web links are provided so that readers can quickly get to information of interest that is too detailed for this report.

On an international level, it is often difficult to compare apples with apples because countries have such diverse laws relating to tax and the Community and Voluntary Sector. For example, Australia recently introduced Private Prescribed Funds (PPFs) to allow a tax-effective vehicle that is the equivalent to New Zealand's long-established private philanthropic trusts. One cannot make assumptions that a successful initiative in one country will be successful in another without in-depth research that is beyond the scope of this document. It simply presents the information rather than making recommendations. It is hoped that presenting the information in templates allows easier comparison of these, sometimes, complicated issues.

The United States leads the way in global philanthropy due to the scale of giving, the complexity of its tax system and the maturity of its giving initiatives - some dating back to the 1970s. Many countries therefore draw on American best practice processes when considering their own philanthropy policies. However, it is the actions of the Commonwealth countries, including Canada, Australia and the United Kingdom, who have moved more recently down a path that makes more appropriate models for New Zealand. They are therefore the focus of the international comparisons within this paper.

The other restriction is the problem with sound statistical data and comprehensive research for the New Zealand side of the picture. Anyone who works in the sector knows that it is difficult to use statistics as a basis for research into the Sector in New Zealand because nobody currently has responsibility for requesting, collating and making comprehensive data available. This is particularly true for philanthropic giving. Where available, figures are supplied from the research commissioned by Philanthropy New Zealand since 2002. Outside this, there may be no information provided for comparison.

## New Zealand Context

### Philanthropy in New Zealand

Due to the previously stated lack of systematic data collection, it is difficult to be definitive about the relative generosity of New Zealanders. This is due to a lack of research and insufficiencies in data collection by IRD and in the Household Economic Survey (HES) produced by Statistics New Zealand. For instance, a specific question about deductions for donations used to be part of the IRD personal taxation form prior to 2000/01 but this has been removed. The HES is the main source of data on incomes and expenditure patterns in New Zealand but in the relevant section, the data collection does not distinguish between gifts and subscriptions. Along with a high margin of error, this makes it of limited use. Unless more detailed requests for information about personal giving are incorporated in both areas, then it will continue to be a significant quantitative statistical gap.

In 2002, Philanthropy New Zealand commissioned research into the funding of the Non Profit Sector in New Zealand.<sup>1</sup> The resulting document gave the sector some baseline figures, including levels of income from various sources as outlined in the table below. To incorporate areas the researchers were unable to measure (fee-based funding and corporate community involvement), they made estimates based on Johns Hopkins University Comparative Non Profit Sector Project figures<sup>2</sup> for the average of seven comparable countries.

<b>FUNDING SOURCE</b>	<b>TOTAL</b>
Philanthropic Trusts	\$142,801,284
Local Government	\$28,200,000
Gaming Machine Trusts	\$131,241,000
Lottery Board	\$91,381,417
Personal Donations	\$281,905,620
Bequests	\$37,698,180
Central Government	\$920,595,000
<b>Subtotal</b>	<b>\$1,633,822,501</b>
Payments and Fees for Service	\$1,250,000,000
Corporate Giving	\$80,000,000
<b>Total</b>	<b>\$2,963,822,501</b>

<sup>1</sup> D Robinson and P Hanley, Funding New Zealand 2002, Resource flows to the Non Profit Sector in New Zealand, a report for Philanthropy New Zealand

<sup>2</sup> These figures are available at <http://www.jhu.edu/%7Ecnp/compdata.html>

On the basis of these figures, international comparisons can be made that philanthropy as a proportion of GDP in NZ rated as 0.64%, compared with 0.62% in the United Kingdom, 0.68% in Australia and 1.6% in the United States.<sup>3</sup>

In 2003, Philanthropy New Zealand also conducted research into the Individual Giving Habits and Behaviours of New Zealanders.<sup>4</sup>

Key findings were:

- Very few people nominate a charity in their will
- Nearly all respondents have given money in the previous 12 months
- Those that haven't given say they can't afford it
- The cause itself is a key reason for giving
- More would definitely support the health and welfare of New Zealand children
- The church and other religious activities are benefiting most from charitable giving
- Two-thirds feel they need not give more
- Two-fifths give up their time to volunteer
- Charitable support is most strong at the local level
- The absence of government funding from charities would encourage one-third to give more

It was significant that the subject of tax rebates was not referred to at all as either a reason to give or not to give.

### **Who Qualifies for Tax Relief on Charitable Donations?**

Tax relief on charitable donations is available by way of a rebate for individuals and tax deductions for companies and Māori authorities, for cash donations they make to donee organisations. The rebate is essentially a refund of a portion of a donation, which is calculated at a set rate. Deductions, on the other hand, reduce the donor's pre-tax income.

A donee organisation is an entity or trust whose activities are not carried out for the private pecuniary profit of any individual and whose funds are applied principally for charitable, benevolent, philanthropic or cultural purposes in New Zealand. See full criteria of donee organisation in section KC 5(1) of the Income Tax Act 2004. A list of donee organisations can be found at [www.ird.govt.nz](http://www.ird.govt.nz).

---

<sup>3</sup> PMCBP, Giving Australia: Research on Philanthropy in Australia, Summary of Findings, October 2005 – pg. 8

<sup>4</sup> K. Fink-Jenson and M. Lau, The Philanthropy New Zealand 2003 Giving Behaviours and Attitudes Survey, BRC Marketing and Social Science Research, 2003

### **Current rebate for individuals** (section KC 5(1) of the Income Tax Act 2004)

A limited tax rebate is available to donors for cash donations in excess of \$5 made to donee organisations. The tax rebate for each year ended 31 March is 33<sup>1/3</sup>% of the total qualifying donations, to a maximum of \$630 (being 33<sup>1/3</sup>% of \$1,890 in donations). However, the sum of the donations claimed cannot exceed the taxable income of the individual in the year in which the rebate is claimed. Total gifts in excess of the \$1,890 maximum, will not qualify for the rebate, although the excess may be transferred to a spouse who has not used their full \$1,890.

Donations of Income: The tax rebate provides only limited tax benefit for donors. However, if a person is able to donate income before it is taxed, a more effective donation can be made. The entire tax paid on the income can be saved (whether this is at the 19.5%, 33% or 39% tax rate) with the benefit accruing to the donee. This benefit does not apply to dividends, as imputation credits attached to dividends are not currently refundable to charities.

### **Tax deduction for companies** (section DB 32 of the Income Tax Act 2004):

Companies other than certain close companies<sup>5</sup> are entitled to a limited deduction for cash donations made to donee organisations. This deduction extends to close companies whose shares are quoted on the official list of a recognised stock exchange.<sup>6</sup> The deduction for all donations made by the company in an income year cannot exceed 5% of the company's net income for that year. In this regard, the net income is the company's total income less deductions (excluding those allowed for the cash donations).

The company deduction limits were last liberalised in the 2002-03 income year. Previously, there were monetary and percentage limits on donations made to one donee organisation and by one donor.

The tax deductibility of donated goods or services depends on the company showing a link between the expenditure and the business carried on for deriving taxable income. Such a requirement is not necessary where goods no longer used in the business are donated.

(Read more at <http://www.ird.govt.nz/>)

### **Tax deduction for Māori authorities** (section DV 11 of the Income Tax Act 2004)

Māori authorities are entitled to deduct donations to donee organisations, in the same way as companies do, and to Māori associations. The deduction for donations made by a Māori authority in an income year cannot exceed 5% of the authority's net income for that year. The deduction was extended to apply to donations to donee organisations from the 2002-03 income year. Previously, the deduction was limited to donations made by Māori authorities to Māori associations.<sup>7</sup>

---

<sup>5</sup> A company controlled by five or fewer people, as defined in section OB 1 of the Income Tax Act 2004.

<sup>6</sup> "Recognised exchange" is a defined term in section OB 1 of the Income Tax Act 1994.

<sup>7</sup> A "Māori association" is defined in the Māori Community Development Act 1962 to include a Māori Committee, a Māori Executive

## Tax treatment of imputation credits to charities

When companies declare dividends the dividend is paid as a net amount. That is because there has effectively been tax deducted. The amount of tax is known as an imputation credit.

Taxable entities and individuals are able to claim this amount against taxable income. Overseas shareholders are also entitled to a supplementary dividend from the company in which they hold shares, which reduces the effective level of taxation to 15%. This is a common international taxation rate for overseas shareholders.

Because charities have taxation exemption they are unable to claim the imputation credit against taxable income. This means that a body which is intended to be a non tax-payer is de facto paying tax. In fact their position is worse than overseas shareholders who benefit from supplementary dividends.

In order to restore their status to being exempt the possible remedies are:

1. Allow charities to claim the tax paid from Inland Revenue
2. Allow charities to receive a supplementary dividend from companies from which they receive dividends

The current regime makes it more advantageous for charities to invest overseas than in New Zealand. This is a significant issue that Philanthropy New Zealand has sought to have addressed over many years.

More information is available at <http://giving.org.nz/business/taxation>.

---

Committee, and a District Māori Council. All of these bodies are committees of the New Zealand Māori Council.

## Incentives for Generosity

### Reasons for Giving

Much research has gone on internationally into reasons why people give. Kim H. Eskine, a philanthropic advisor at University of Oxford's North American office, usefully identified seven motivations for giving:

**Altruism** – an organisation's staff, the mission of an organisation or the organisation itself resonates with the donor's sense of making the world a better place.

**Appreciation** - an organisation has affected the donor's life in a positive manner, or the donor is proud of the work it does.

**Competition** - the donor is interested in "keeping up with the Jones" – philanthropy style. They want their name prominently situated on a donor list, or want their class to raise more money than last year's class.

**Devotion** - religion and religious belief highly influence the donor's giving strategies.

**Guilt** - supporting an organisation can help relieve the donor's feelings of remorse or responsibility for negative circumstances which have befallen them or others.

**Self interests** - help with tax circumstances, damage limitation or advancing the donor's professional or social life.

**Tradition** - the donor has a habit of giving to organisations who have systematically asked them over a period of time, or it is traditional in their family to give to the organisation.

Not surprisingly most of these factors were reflected in the reasons surrounding why and how people give in New Zealand.<sup>8</sup> Although the sample size was small, altruism, appreciation, devotion and tradition were evident but motivations related to competition, guilt and self-interests (including tax relief) were not specifically referred to.

While one of the significant findings was that two-thirds "felt that they need not give more", people earning more than \$50,000 were significantly more likely to feel that they should give more.<sup>9</sup> Building on these feelings in those with more disposable income, there have

---

<sup>8</sup> Giving Behaviours and Attitudes Survey, 2003

<sup>9</sup> Giving Behaviours and Attitudes Survey – pg. 7

been significant efforts to encourage generosity on an international scale.

## Global Philanthropic Initiatives

Over the past two decades the promotion of philanthropy has become a subject of increasing interest and investment as a number of governments, philanthropic authorities and organisations, and other interested parties have both recognised and stressed the importance of philanthropy in addressing human challenges and strengthening civil society.

“During that time, the understanding of global philanthropy has evolved considerably, and strategies to promote it have also expanded, albeit more slowly. Early efforts to increase philanthropic activity were confined principally to the world’s wealthiest countries and most often targeted the wealthiest individuals within those societies. Similar efforts are now occurring globally, and strategies are expanding to engage a much larger segment of the population. There is a growing understanding of the importance of a pluralistic approach to promoting philanthropy, one that recognises the diversity of philanthropic philosophies and practices among nations and cultures, as well as the range of interests and motivations of individual donors.”<sup>10</sup>

Not surprisingly, the United States is considered to be the world leader in philanthropy promotion because it is the site of the earliest and most continuous efforts to encourage generosity. Tax incentives for charitable giving have been in place since 1917 and since the 1970’s there have been four main “waves” of philanthropic promotion.<sup>11</sup> These have concentrated on:

- Improving the legal framework for philanthropy
- Raising public awareness of philanthropy and attempting to increase the number of people participating in the giving of time and money
- Growing the number, reach and size of community foundations
- Promoting philanthropy in light of the anticipated “intergenerational transfer of wealth”

During the 1980’s the growth in wealth generated by the new economy, combined with the changes brought about by the increasing globalisation of markets (e.g. the privatisation of state assets) encouraged other countries to follow the US’s lead and promote philanthropy locally. Although these original efforts were mainly designed to target the wealthy, they have since developed into a wide variety of initiatives designed to encourage giving at every level of society.

As the US is still “leading the charge” in terms of philanthropy it should be noted that models developed there tend to set the standards and structures for those in other countries.

---

<sup>10</sup> Paula D. Johnson, et al, Promoting Philanthropy: Global Challenges and Approaches, December 2004, pg. 4-5

<sup>11</sup> Promoting Philanthropy: Global Challenges and Approaches, pg. 5

The following table outlines the most significant initiatives in four countries:

Country	Programme	Collaborators	Aims	Programmes
US	New Ventures in Philanthropy (1998)	Originally a 10-year initiative of the Forum of Regional Associations of Grantmakers (RAG) plus major US grantmakers	To advance innovative ways to promote philanthropy.	Broad spectrum of programmes e.g. youth, rural populations, ethnic minorities, entrepreneurs, and corporate giving in both large and small to medium businesses. Read more at: <a href="http://www.givingforum.org/about/ventures.html">http://www.givingforum.org/about/ventures.html</a>
Canada	Imagine Canada (1988)	Canadian Centre for Philanthropy	To dramatically increase the level of individual and corporate charitable giving and volunteerism in Canada.	Imagine's core programmes are ongoing activities focused on significantly increasing the engagement of business in community building and support for the charitable and voluntary sector. Read more at: <a href="http://www.imaginecanada.ca/">http://www.imaginecanada.ca/</a>
UK	Getting Britain Giving (2000)	UK Government	To enhance the three types of charity tax relief that had been available through the Gift Aid programme since 1990.	Removal of the minimum qualifying gift level of £250, making gifts of any size eligible for Gift Aid. Removal of the tax relief for covenant donations in a bid to make Gift Aid the main vehicle for tax-efficient gifts of money. Company gifts under Gift Aid were also changed – instead of the charity having to reclaim the tax relief, all company gifts are now made gross, effectively removing company giving from the Gift Aid figures. Companies can still reclaim tax reliefs on gifts made gross to charities. Read more at: <a href="http://www.hmrc.gov.uk/news/budget/charityguide.pdf">http://www.hmrc.gov.uk/news/budget/charityguide.pdf</a>
UK	The Giving Campaign (2001-2004)	Charities Aid Foundation UK Government	To raise awareness of the tax relief for charitable giving among donors, charities, employers and financial advisers.	The Giving Campaign was structured into four business streams: <ul style="list-style-type: none"> <li>• Targeting the wealthy</li> <li>• Tax-effective giving</li> <li>• Employers and employees</li> <li>• Young people</li> </ul> Read more at: <a href="http://www.givingcampaign.org.uk/">http://www.givingcampaign.org.uk/</a>

Australia	Prime Minister's Community Business Partnership (1999)	Australian Government	The development and promotion of corporate and individual social responsibility.	<p>Changes in tax legislation surrounding giving.</p> <p>Introduction of a measure allowing individuals, families or businesses to privately support charitable causes through the establishment of their own private gift deductible funds (PPF's).</p> <p>Introduction of the Workplace Giving programme.</p> <p>Instigation of Awards for Excellence in Community Business Partnerships, National Community Business Partnerships Week and the CSR Essay Competition.</p> <p>Funded research into giving – particularly "Giving Australia".</p> <p>Read more at:  <a href="http://www.partnerships.govt.au">www.partnerships.govt.au</a></p>
Australia	Giving Australia (2003-2005)	<p>Prime Minister's Community Business Partnership in association with partners and research agencies including Australian Council of Social Services (ACOSS)</p> <p>Centre for Australian Community Organisations and Management at the University of Technology, Sydney</p> <p>The Centre of Philanthropy and Non-profit Studies</p> <p>The Fundraising Institute – Australia (FIA)</p>	<p>Giving Australia was a multifaceted research project designed to improve Australia's understanding of giving and generosity.</p> <p>It was instigated by the Prime Minister's Community Business Partnership and sought to understand the implications of changes brought about by legislation and programmes initiated in the early 2000's.</p>	<p>Research findings concluded:</p> <p>Individual giving in Australia was \$5.7 billion (2005), an increase of 88% since 1997.</p> <p>Corporate giving more than doubled since 2000-01, while the number of hours donated by volunteers rose 16% since 2000, with 41% of adult Australians volunteering 836 million hours.</p> <p>The findings of the study have bolstered Australia's commitment to promoting philanthropy and have led to further commitments to increasing corporate community involvement and individual social responsibility and the development of resources, programmes and tax incentives designed to assist this.</p> <p>Read more at:  <a href="http://www.partnerships.govt.au/philanthropy/philanthropy_research.shtml">http://www.partnerships.govt.au/philanthropy/philanthropy_research.shtml</a></p>

Findings from such comprehensive international initiatives and research conclude that:

- “Philanthropy promotion is most likely to produce results when it (1) is promoted through a range of approaches, (2) recognises the unique character of a local community and the wide diversity of potential donors within it, and (3) creatively employs multiple strategies to cultivate philanthropy within diverse populations”.<sup>12</sup>
- The re-occurring themes seem to focus around encouraging a “culture of giving” within the general population with a particular focus on the engagement of youth. One of the motivators for this is the upcoming significant intergenerational “transfer of wealth”.
- “Within the next 50 years the charitable giving landscape will be drastically changed by an estimated \$41 trillion transfer of wealth between generations. Conservative estimates assume that more than \$6 trillion will be donated immediately, with the bulk of the assets transferred to the next generation. This transfer of money, along with an increasing interest in giving back to the community, presents the philanthropic sector with a tremendous opportunity to direct more private wealth toward public good.”<sup>13</sup>

The following table outlines global initiatives targeting engagement of youth:

Country	Programme	Collaborators	Aims	Outcomes
US	The Michigan Community Foundations’ Youth Project (MCFYP) (Late 1980’s)	Michigan Community Foundation Council on Michigan Foundations New Ventures in Philanthropy	The goals were to: Expand the areas served by community foundations in Michigan so that every citizen would have access to a philanthropic vehicle. Strengthen the capacity of existing community foundations. Involve youth in grantmaking with permanently endowed funds through the creation of	85 endowed youth funds now exist ranging in size from \$250,000 to more than a \$1million. Annually, more than 1,500 high school-age youth are involved in YACs with over 8,000 youth to date. Community foundation-based initiatives now exist throughout the United States. Thirty states report having one or more community foundation youth grantmaking efforts. Initiatives have also developed in Australia, Bosnia, Canada, the Czech Republic, Great Britain and Northern Ireland. Read more at:

<sup>12</sup> Promoting Philanthropy: Global Challenges and Approaches, December 2004, pg. 14

<sup>13</sup> FYI section of New Ventures in Philanthropy website, <http://www.givingforum.org/newventures.html>, accessed on 02 September 2006.

Endnote 2 of Promoting Philanthropy: Global Challenges and Approaches, December 2004 highlights that global estimates range from \$140 trillion to as much as \$300 trillion in the next 50 years.

			Youth Advisory Committees.	<a href="http://www.youthgrantmakers.org/">http://www.youthgrantmakers.org/</a>
Canada	Youth in Philanthropy Canada (1998)	Community Foundations of Canada	Youth in Philanthropy Canada is a programme of the Community Foundations of Canada and is based on the US model. The first Youth in Philanthropy programme was founded by the Vancouver Foundation.	More than 40 Canadian community foundations have a Youth in Philanthropy programme run by youth that provide grants to youth causes. Read more at: <a href="http://www.yipcanada.org/">http://www.yipcanada.org/</a>
UK	YouthBank (1999)	British Youth Council Changemakers Community Foundation Network The National Youth Agency The Prince's Trust	An innovative, UK-wide, grantmaking initiative, run by young people for young people. Local YouthBanks provide small grants to projects led by young people, of benefit to the community and that also benefit the young people taking part. Seven pilot Youth Banks were launched in 1999.	As of July 2006 there were 55 licensed YouthBanks operating in the UK.  Read more at: <a href="http://www.youthbank.org.uk/">http://www.youthbank.org.uk/</a>
UK	Citizenship Education (2002)	UK Government	Compulsory citizenship education introduced in secondary schools.	Around 100,000 secondary school students have taken part in Giving Nation lessons.  Read more at: <a href="http://www.qca.org.uk/7907.html">http://www.qca.org.uk/7907.html</a>
UK	Giving Nation 2003	The Giving Campaign The Citizenship Foundation	To help young people understand and participate in giving. When the Giving Campaign ended in 2004, the programme was taken over by the Citizenship Foundation.	More than 3,300 secondary schools have ordered the Giving Nation resource pack, more than half of the total number of secondary schools in the UK, far exceeding the original targets. To date, around 750 schools have used the pack.  Read more at: <a href="http://www.citizenshipfoundation.org.uk/index.php">http://www.citizenshipfoundation.org.uk/index.php</a>

Australia	Civics and Citizenship	Australian Government Department of Education, Science and Training, and maintained by Curriculum Corporation	Civics and citizenship education promotes students' participation in Australia's democracy by equipping them with the knowledge, skills, values and dispositions of active and informed citizenship.	<p>Current Australian Government initiatives in civics and citizenship education include the development and maintenance of the Civics and Citizenship Education website, and the continuation of a programme of national activities, including <i>Celebrating Democracy Week</i> and the <i>National Schools Constitutional Convention</i>. These follow the highly successful <i>Discovering Democracy</i> programme of 1997–2004.</p> <p>Read more at:  <a href="http://www.civicsandcitizenship.edu.au/cce/">http://www.civicsandcitizenship.edu.au/cce/</a></p>
NZ	Research project 2003	Philanthropy New Zealand	Scoping Study on Citizenship Education in New Zealand Schools report.	<p>Until recently, there had been no progress made in this area despite efforts and research by a range of organisations including Philanthropy New Zealand. However, in 2006, Generosity (manaakitanga) has been referred to as one of the aspects mentioned under Social and Co-operative Skills – one of the eight groupings of essential skills in the New Zealand Curriculum.</p> <p>Read more at:  <a href="http://www.tki.org.nz/r/governance/nzcf/ess_skills_e.php">www.tki.org.nz/r/governance/nzcf/ess_skills_e.php</a>.</p> <p>In addition, citizenship is an aspect mentioned in The New Zealand Curriculum: Draft for Consultation 2006.</p> <p>Read more at: <a href="http://www.tki.org.nz/r/nzcurriculum/">www.tki.org.nz/r/nzcurriculum/</a>.</p>

## The Influence of Taxation Incentives

The level to which individuals and companies are impeded in their ability to engage fully in a range of philanthropic activities are governed by legal, tax and cultural environments in each country. However, one aspect is true across the board. According to Eikenberry (2003):

"Charitable tax incentives work not by influencing *whether* donors give, but *how much* they give, because charitable contributions are price-elastic; meaning that giving increases as its cost declines, and vice versa."<sup>14</sup>

For example, it is estimated that "a 1% reduction in the net cost of giving results in a 1.1 to 1.7% increase in giving."<sup>15</sup>

It should also be noted that "tax provisions not only provide incentives but are also a powerful signal of the importance our society places on giving – a signal that likely increases giving beyond the pure incentive effect of possible tax savings the taxpayer might receive".<sup>16</sup>

To assess the possible impact of changes to tax rebates in New Zealand, an overview of activities and impacts in four comparative countries is presented in the table below:

Country	Activities	Results
US	The US has led the world encouraging philanthropy and tax incentives for charitable giving have been around since 1917.	The US federal tax laws allow a tax-payer to deduct the full value of gifts to qualified charitable organisations from his or her adjusted gross income in arriving at taxable income. Current US taxation legislation puts the cap on individual donations at 50% of income. <sup>17</sup> Because of the intricacies of the American legal system and the long philanthropic history of the country it is difficult to summarise the applicable legislation succinctly. For an introductory overview (with comparisons to the UK) read more at: <a href="http://www.instituteforphilanthropy.org.uk/table.html">http://www.instituteforphilanthropy.org.uk/table.html</a>
Canada	In the late 1990's the government made changes to tax legislation to make it easier for people to make donations to charitable organisations.	People donating money or other property to charitable organisations are able to claim a federal and provincial or territorial non-refundable tax credit when they file their return, up to a limit of 75% of their net income. If the amount donated exceeds this level, they are able to carry part of the amount over to their tax returns in any of the next five years. (For an explanation of the Capital Gains legislation association with donations of property read more at: <a href="http://www.cra-arc.gc.ca/tax/individuals/topics/income-">http://www.cra-arc.gc.ca/tax/individuals/topics/income-</a>

<sup>14</sup> Angela M. Eikenberry, Promoting Philanthropy and Substantive Democracy, University of Nebraska at Omaha, 2003 – pg. 2

<sup>15</sup> G.E. Auten et. al., Charitable giving, income and taxes: An analysis of panel data, The American Economic review, 92, 371-382, 2002

<sup>16</sup> C. Eugene Steurle, Charities on the Frontline and Making the Best Use of Tax Policy to Help them, September 13, 2005

<sup>17</sup> See table 6, David Roodman and Scott Standley, Working Paper Number 82 January 2006, Tax policies to promote private charitable giving in DAC (Development Assistance Committee) countries

		<a href="http://www.cafonline.org/pdf/GiftAidResearch2006.pdf">tax/return/completing/deductions/lines300-350/349/certain-e.html</a>
UK	<p>Since its inception in 1990, Gift Aid has been the fastest growing tax effective scheme in the UK. Its success influenced the Labour government's decision to widen access to the scheme in 2000 by removing the minimum limit to gifts, simplifying the paperwork and making it available by phone or internet.</p> <p>Formal legislation was backed up by a national public campaign in 2001. Gift Aid donations now account for around one third of total individual giving to charity by all methods and around 10 million UK adults now use Gift Aid for one or more of their donations in an average month. This represents around one third of donors in 2004/05.</p>	<p>Growth of the Gift Aid scheme resulted in gross income to charities of nearly £2 billion in 2001/2002.</p> <p>By 2002 individual giving had risen £7.3 billion.</p> <p>Increased the annual repayment of tax to charities from £410 million in 2000/2001 to approximately £580 million in 2003/2004.</p> <p>The value of individuals' donations through Gift Aid (and covenants) reached £2.2 billion in 2004/05, excluding the value of the tax reclaimed by charities.</p> <p>Increases in numbers of donations:</p> <ul style="list-style-type: none"> <li>• 1990-91 - 9,390</li> <li>• 1999/00 - 300,000</li> </ul> <p>If the reclaimed tax is included, the total gross amount received by charities from the Gift Aid scheme in 2004/2005 was £2.8 billion (£625 million of this is the direct result of tax-relief paid back by the Government).</p> <p>The tax changes to Gift Aid succeeded in "democratising" or widening access to tax-efficient giving, and more female, younger and less wealthy donors now use Gift Aid.</p> <p>Achieved annual increase of 10% in the number of charities making claims for tax repayment.</p> <p>Read more at: <a href="http://www.cafonline.org/pdf/GiftAidResearch2006.pdf">http://www.cafonline.org/pdf/GiftAidResearch2006.pdf</a></p>
Australia	<p>In 2002 the Government made specific changes to tax legislation, making it easier for individuals and corporations to give more easily and in an increased number of ways.</p>	<p>Tax arrangements implemented in the interest of increasing generosity have led to:</p> <p>Establishment of PPFs – Private Prescribed Funds.</p> <p>An opportunity for Australians who make regular pre-tax donations through a Workplace Giving Programme to receive an immediate tax benefit rather than waiting until 30 June to claim deductions.</p> <p>The ability to spread deductions for cash donations over five income years.</p> <p>Opportunity for donors to receive a tax deduction for gifts of property they've held for more than 12 months and valued in excess of \$5,000 - and spread that deduction over five income years.</p> <p>Opportunity for bequests of property and gifts of cultural property made through the Cultural Gifts Program to be exempt from capital gains tax.</p> <p>Expansion of the concessions relating to the capital gains tax provisions, distributions by charitable funds, the income tax exemption for charities, and the refund of franking credits provisions - all of which provide greater flexibility to charitable, ancillary and</p>

		prescribed private funds.
New Zealand	In 2002 the New Zealand government increased the tax rebate for individuals from a maximum of \$500 to \$630.	No statistics identified to support any impacts.

A recent study into the effectiveness of tax incentives for charitable giving had this to say about how New Zealand compares with the rest of the world:

“Of the 18 countries with some type of income tax incentive, New Zealand’s appears weakest. New Zealand allows taxpayers a 33% tax credit for charitable gifts, but only on donations up to NZ\$630 (US\$433). According to our methodology, this cap reduces the value of the tax incentive to 16.7%, leading to an increase in giving of only 10%.”<sup>18</sup>

In New Zealand, the only research into factors encouraging more giving comes from the 2003 Giving Behaviours and Attitudes Survey. Findings were that that 56% of respondents said they would give more if they had a higher income, higher disposable income or “had more money”.

---

<sup>18</sup> David Roodman and Scott Standley, Working Paper Number 82 January 2006, Tax policies to promote private charitable giving in DAC (Development Assistance Committee) countries

## Individual Giving

It can be clearly seen that the biggest factor affecting individual giving relates to their relative wealth. This section will discuss two broad categories of individual givers – the wealthy donors (“The 20%”) and the rest of the donor population (“The 80%”).

O’Regan and Lynch (2002) found that:

“Only 20% of New Zealanders aged 15 years or more are likely to have the disposable income to give generously. About 80% of New Zealanders earn \$50,000 or less p.a. with only 2% (mainly men) earning \$100,000 or more.”<sup>19</sup>

This 20/80% Pareto Principle is reflected by similar figures abroad. In the UK, 5% of donors contribute two-fifths of the total amount given.<sup>20</sup>

Both groups generally exhibit different behaviours when it comes to their motivations and vehicles for philanthropy. Each of the categories of donor will be examined and information relating to overseas trends and the NZ context will be presented within in each category. In all cases, tax relief is not a motivating issue, but where it is relevant it will be included.

### The 20%

The wealthy donors tend to be “planned” givers who see themselves as contributing to significant systematic societal change. They often use financial advisors to take care of the details because tax relief on donations are an incentive because of the larger amounts of money involved. They often use formal structures to manage their giving including private trusts and bequests.

Having said this, the relatively small tax incentives in New Zealand have had an effect as identified by O’Regan and Lynch:

“The high net worth individuals interviewed fell into two groups – those who had very clear ideas about what they want to do with their money and those who were interested in exploring the possibilities of how a donor advice service might affect their giving and the giving of others. Taxation was not an issue for either group, although there was awareness that, should the tax regime become more favourable, their giving might increase.”

One of the most favoured vehicles for philanthropy of our 20% is the private philanthropic trust.

---

<sup>19</sup> O’Regan & Lynch, Donor Advised Services in New Zealand – a scoping study for the National Strategy Group promoting generosity, October 2002

<sup>20</sup> Charities Aid Foundation, UK Giving 2004/05, Results of the 2004/05 survey of individual charitable giving in the UK

## Trusts

The following table shows international comparisons in activities and results relating to trusts and how tax incentives affect them:

Country	Activities	Results
US	<p>The tax deductions and other reliefs described below are available to individual US taxpayers with respect to gifts to US qualified charities, including US private foundations.</p> <p>1. Capital Gains Tax Treatment</p> <ul style="list-style-type: none"> <li>• No US capital gains tax incurred when an appreciated asset is contributed to a US qualified charity.</li> <li>• No US capital gains tax losses are generated when a depreciated asset is contributed to a US qualified charity.</li> </ul> <p>2. Estate And Gift Tax - Charitable Deduction</p> <ul style="list-style-type: none"> <li>• Lifetime and testamentary gifts to charity are 100% deductible for US gifts and estate tax purposes.</li> </ul> <p>3. Income Tax Deduction</p> <p>i) Cash Gifts</p> <p>Cash Gifts to US qualified charities are fully deductible for US income tax purposes, subject to the following maximum deduction limits in any taxable year:</p> <ul style="list-style-type: none"> <li>• Deductions for cash gifts to charities may not exceed 50% of the taxpayer's adjusted gross income (AGI) for that year.</li> <li>• Deductions for cash gifts to private foundations may not exceed 30% of the taxpayer's AGI for that year.</li> <li>• If a charitable contribution is not fully deductible in</li> </ul>	<p>In 2004 there were nearly 68,000 grant-making trusts with assets of \$510.5 billion.</p> <p>Gifts into foundations totalled \$24 billion, while giving by the nation's grantmaking foundations was \$31.8 billion<sup>22</sup></p> <p>Read more at: <a href="http://www.foundationcenter.org">www.foundationcenter.org</a></p>

<sup>21</sup> <http://www.instituteofphilanthropy.org.uk/table.html>

<sup>22</sup> Foundation Center, Foundation Yearbook, 2006 Edition

the year of the gift due to AGI limitations the excess deduction may be carried forward for up to five years.

ii) Gifts of Non-Cash Property

Gifts of property other than cash are fully deductible for US income tax purposes, subject to the following limitations:

- Deductions for gifts to public charities of appreciated property that has been held longer than one year may not exceed 30% of all the taxpayer's AGI for that year;
- Deductions for gifts to private foundations of appreciated property that has been held longer than one year may not exceed 20% of the taxpayer's AGI for that year.

Most non-cash property charitable gifts are valued at fair market value on the date of the gift. Some exceptions exist, however. For example:

- Tangible personal property is valued at the donor's cost basis unless it will be used by the charity to further the charity's designated purpose.
- Property with no readily available market price must be appraised to determine fair market value.

iii) Gifts in Which the Donor Retains an Interest

"Split Interest Gifts", where both charitable and non-charitable beneficiaries have interests, are permitted in some cases. Examples include:

- i. Charitable Gift Annuity
  - ii. Pooled Income Funds
  - iii. Charitable Remainder Trusts
  - iv. Remainder interest in personal residence or farm
  - v. Charitable Lead Trust
  - vi. Beneficiary Designations under retirement/pension plans
- Deductions are generally permitted for the actuarial value of the charitable portion of a split-interest gift, so long as it is irrevocably designated to charities.<sup>21</sup>

Canada	<p>Canadian tax law differentiates between three types of charitable organisations: charitable organisations (charities), public foundations and private foundations.</p> <p>The rules relating to public foundations and charities are very similar, while private foundations are treated differently and do not enjoy some of the tax benefits of other charitable organisations. For example they do not receive the reduction in capital-gains tax on gifts of appreciated listed securities to not-for-profit institutions. Read more at:  <a href="http://www.jcfmtl.org/handbook/index.htm">www.jcfmtl.org/handbook/index.htm</a></p>	<p>It has been argued that most of the distinctions between the two types of foundations are unnecessary and are likely to curb the growth of charitable giving through the use of private foundations<sup>23</sup>, however this issue is the subject of ongoing debate in Canada.</p> <p>Nevertheless, Canada is enjoying a surge in family and private foundations. Roughly 8,500 foundations are registered with the Canada Revenue Agency, representing 10.5% of all registered charities. And roughly 85% of active foundations are family foundations, most of which have assets of \$5 million or less.<sup>24</sup> Read more at:  <a href="http://www.philanthropyjournal.org/">http://www.philanthropyjournal.org/</a></p>
UK	<p>In the UK as long as a private charitable trust is registered as a charity in its own right, it provides exemptions from Capital Gains and Inheritance Tax. In addition, the income of a Personal Charitable Trust is not subject to Income Tax as it is applied wholly for charitable purposes.</p> <p>Capital Gains Tax Treatment</p> <ul style="list-style-type: none"> <li>• Transfer of appreciated assets to a charity treated as having been made by the donor at no gain/no loss to him. This means that the donor will incur no capital gains tax liability on the transfer.</li> </ul> <p>Inheritance Tax Exemption</p> <ul style="list-style-type: none"> <li>• Lifetime and testamentary gifts to a charity are exempt from inheritance tax.</li> </ul> <p>Income tax relief for charitable donations is available under the payroll-giving scheme, the gift aid scheme and for gifts of</p>	<p>In 2003, tax relief on charitable donations cost the British Government £1.3bn.</p> <p>Of this sum, £240m was reimbursed to the 11% of taxpayers who pay the higher rate, £293m is accounted for by charities reclaiming the standard rate paid by rich givers, and £350m by relief on charitable legacies, a method of giving available only to those who die with enough assets to pay inheritance tax.</p> <p>The remaining £350m to support the giving of basic rate taxpayers and non-taxpayers.</p> <p>Although tax rebates clearly provide some extra incentive to donate, their impact on giving remains unclear: when donors are asked to explain why they give, they describe the pull of the cause before the push of fiscal incentives.<sup>25</sup></p> <p>Read more at:  <a href="http://www.instituteforphilanthropy.org.uk">www.instituteforphilanthropy.org.uk</a></p>

<sup>23</sup> A. Abigail Payne, Firm Foundations: Putting Private and Public Foundations on Level Ground, C.D. Howe Institute Backgrounder no. 88 (Toronto: C.D. Howe Institute, February 2005)

<sup>24</sup> Todd Cohen, Philanthropy Journal, Canadian Giving, pt 4, Sep 2006

<sup>25</sup> Beth Breeze, "The Return of Philanthropy", Prospect, January 2005

	qualifying investments.	
Australia	<p>Prescribed Private Funds (PPFs) were legislated for in 2000 and introduced in June 2001.</p> <p>A PPF is a fund established by a trust instrument with:</p> <ul style="list-style-type: none"> <li>• Deductible gift recipient (DGR) status (so that, among other things, gifts to it are tax deductible to the donor);</li> <li>• Income tax exempt charity (ITEC) status (so that, among other things, its income is exempt from income tax); and</li> <li>• The ability to attract a variety of other Commonwealth, State and Territory tax and duty concessions.</li> </ul> <p>There is no need for gifts to a PPF to be sought and received from the public and PPFs can be controlled by an individual, family or corporate group.</p> <p>The term "prescribed private fund" is defined in the tax legislation as being a fund prescribed by the regulations for the purposes of the definition. Accordingly, as the Government makes regulations (subject to a right of either House of Parliament to disallow a regulation), the Government has a broad discretion to implement and amend its policy with regard to the attributes of prescribed private funds.</p>	<p>Twenty-two PPFs were established in the first year, 59 in 2002, 50 in 2003, 89 in 2004 and 91 in 2005.</p> <p>By April 2006, 341 funds had been approved by the Government. These funds have a corpus under investment of some \$421 million and have made grants of \$90 million to other charitable organisations.</p> <p>Some of the first PPFs established included well-known foundations such as the Pratt Family Foundation that either changed their status or established prescribed funds.</p> <p>Read more at:  <a href="http://www.partnerships.gov.au/pdf/Intro_to_ppfs.pdf">www.partnerships.gov.au/pdf/Intro_to_ppfs.pdf</a></p>
New Zealand	<p>Private trusts can qualify for tax exemption in two ways. They may be exempt from paying income tax on their income by virtue of being established for charitable purposes. Secondly, an organisation may qualify for approved donee status, which entitles the maker of any donations to the organisation to obtain tax relief, either by way of rebate or deduction.</p>	<p>Read more at:  <a href="http://giving.org.nz/business/taxation">http://giving.org.nz/business/taxation</a></p>

The tax environment within which New Zealand philanthropic and grant-making organisations have to operate is somewhat uncertain as the Charities Act 2005 comes into effect. All organisations currently qualifying for the charitable exemption in the Income Tax Act will need to register with the Charities Commission to retain that status. Registration will commence from 1 February 2007.

## Bequests

The other major vehicle used by “The 20%” is bequests or legacies - leaving a proportion of a deceased estate to nominated charities. The following table shows international comparisons in activities and results relating to bequests and how tax incentives affect them:

Country	Activities	Results
US	Lifetime and testamentary gifts to charity are 100% deductible for US gifts and estate tax purposes.	Estate bequests accounted for 9% of total American charitable giving (\$23 billion) in 2003. <sup>26</sup>
Canada	Canada does not tax estates.	For an explanation of the current Canadian legislation surrounding legacies and bequests read more at: <a href="http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html">http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html</a>
UK	<p>The Legacy Promotion Campaign was a two-year programme that aimed to bring about an attitudinal change in individuals so that it would become a social norm to include a bequest to charity in a will.</p> <p>It launched its PR and Public Awareness campaign in October 2002 before rolling out on a nationwide scale in the first quarter of 2003. Its success led to an extension of the campaign and the strategy for 2004-2006 includes:</p> <ul style="list-style-type: none"> <li>• A strong public awareness campaign</li> <li>• Research into the motivations and barriers of including a charity in wills</li> <li>• Creating a strong regional element to the campaign to show the impact individuals can have on their community</li> <li>• Campaigning financial advisors to encourage their clients to give to charities and partnership brokering with groups and individuals in the industry</li> </ul>	<p>Awareness of the public campaign message in the target audience has increased from 32% in 2003 to 50% in 2006.</p> <p>An increase in the amount of people including a charity in their wills from 8% in 2003 to 11% in 2006 (This is based on the MORI study. The LPC’s 2005 annual report also lists alternative statistics for this based on research conducted by Charity Monitor).</p> <p>There is now also a dedicated website promoting bequests.</p> <p>Read more at: <a href="http://www.rememberacharity.org.uk">www.rememberacharity.org.uk</a></p>

<sup>26</sup> Giving USA, 2004

Australia	<p>As a result of the research carried out as part of the Giving Australia campaign, the Australian Government has changed the tax legislation to make it easier and more financially viable to give through legacies and bequests through:</p> <p>Capital gains tax exemption for testamentary gifts (bequests) to gift deductible organisations and for gifts of significant cultural property through the Cultural Gifts Program to public libraries, museums and galleries.</p> <p>Tax deductibility for gifts of property held by the donor for more than twelve months and valued by the Tax Commissioner in excess of \$5,000, including environmental and heritage property to approved environmental organisations.</p> <p>Ability to spread deductions for the following types of gifts over a period of up to five income years:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Cultural property through the Cultural Gifts Program</li> <li>• Property valued by the Tax Commissioner in excess of \$5,000</li> </ul> <p>The condition has been removed which required testamentary gifts (i.e. gifts made under a will) of property to deductible gift recipients (DGRs) to be valued at greater than \$5,000 before access to the capital gains tax exemption is available.</p>	No breakdown of information relating to resulting growth in bequests and legacies in Australia identified.
New Zealand	<p>New Zealand does not tax estates.</p> <p>In 2002, the Law Society and the Fundraising Institute of New Zealand teamed up to publicise “Make a Will Week” to promote the importance of having an up-to-date and valid will.</p>	<p>No published data to reflect the effectiveness of the Make a Will Campaign was identified.</p> <p>Read more at: <a href="http://www.nz-lawsoc.org.nz">www.nz-lawsoc.org.nz</a></p>

From a New Zealand perspective, in 2002 the National President of the Fundraising Institute of New Zealand, estimated that the not-for-profit sector benefits by close to \$38 million a year from bequests.<sup>27</sup>

According to the 2003 Giving Behaviours and Attitudes Survey, 6% of respondents had made a bequest to a charitable organisation or cause in their will. Three themes emerged regarding what prevented will holders from making a bequest:

- Lack of knowledge
- Supposition that a bequest to a charity had to be significant
- Preferred to leave money to the family

Tax issues were not mentioned.

## The 80%

The lower level donors tend to be “spontaneous” givers who see themselves as making a difference in their own small way. They rarely use advisors and only a small percentage take advantage of the tax relief on donations as noted by O’Regan and Lynch:

“2001 IRD data shows that only 12% of the population 15 years or over claimed a tax rebate for donations to approved charitable donations. Of that figure, only 2% were claiming the full rebate – i.e. giving at least \$1500 per annum”.<sup>28</sup>

The main reasons believed to be behind these figures is that “The 80%”:

- are ignorant of the tax relief opportunities
- can’t be bothered with accounting required for such small amounts etc
- are more motivated by other factors – feeling good etc

In New Zealand, “The 80%” are seen as a group that need more education on tax-efficient giving and vehicles for their philanthropy, which are more numerous than for “The 20%”. These include Community Foundations, Payroll Giving, Share Donation programmes, E-Philanthropy and Volunteering.

---

<sup>27</sup> <http://www.nz-lawsoc.org.nz/wilbequests.asp>

<sup>28</sup> O’Regan & Lynch, 2002, pg.9

## Community Foundations

The following table shows international comparisons in activities and results relating to community foundations and how tax incentives affect them.

Country	Activities	Results
US	<p>In 1998, the New Ventures in Philanthropy programme focussed on providing funding for regional collaboratives around the country that were experimenting with new ways to encourage giving.</p> <p>Community foundations have a taxation advantage over private foundations in the US and have accelerated in establishment since the Tax Reform Act of 1969. This made it possible for donors to receive income tax deductions for funds donated for administration, so that these costs may be provided separately and do not have to be recovered (although they may) by foundations from client fees or from the funds donated for distribution for community development purposes.</p>	<p>From an investment of \$14 million at the national level they have created more than \$570 million in community related endowments across America.</p> <p>Outcomes have included development and dissemination of a range of resources, including those tailored to appeal to groups not previously addressed e.g. corporations, women, rural audiences and ethnic minorities.</p> <p>Creation and support of new types of giving vehicles.</p> <p>Community foundations are the fastest growing philanthropic organisations in the US; their assets grew 13.6% in 2004 following a 14.7% gain in 2003.<sup>29</sup></p>
Canada	<p>In 1992, Canada established Community Foundations of Canada (CFC), which is the national membership organisation for Canada's community foundations. Their aim is to build stronger communities by enhancing the philanthropic leadership of community foundations.</p>	<p>Canadian community foundations grant \$115 million to local community priorities through 155 community foundations. This number has grown from only 28 in 2002.</p> <p>As public foundations, Canadian community foundations benefit from the capital gains tax exemptions relating to such charitable organisations.</p> <p>Specific information relating to tax incentives and their tangible results of encouraging philanthropy via Canadian community foundations was not identified.</p> <p>Read more at: <a href="http://www.cfc-fcc.ca/index.cfm">http://www.cfc-fcc.ca/index.cfm</a></p>
UK	<p>Established in 1991, the Community Foundation Network (CFN) is the national network linking, promoting and supporting more than 60 community foundations throughout England, Northern Ireland, Scotland and</p>	<p>Community foundations have grown in number sharply in the past two decades with a corresponding increase in their capital assets. This growth predates the 2000 tax changes in the UK however there is anecdotal evidence that the reforms have</p>

<sup>29</sup> Foundation Yearbook 2006

	<p>Wales.</p> <p>Community foundations have been active in the UK since the 1980's and about 90% of the UK population has access to a community foundation.</p> <p>The taxation rules applying to community foundations are the same as those that apply to all charities (i.e. Gift Aid for individuals and companies, Share giving, Gifts of land or property, Legacies and Payroll giving) as detailed elsewhere.</p>	<p>encouraged donations to community foundations, particularly by companies.<sup>30</sup></p> <p>Specific information relating to tax incentives and their tangible results of encouraging philanthropy via UK community foundations was not identified.</p> <p>Read more at:  <a href="http://www.communityfoundations.org.uk">www.communityfoundations.org.uk</a></p>
Australia	<p>Philanthropy Australia has established a Community Foundations Committee. The committee's task is to help set the policy and strategic direction of services and activities designed to support Australian community foundations.</p> <p>Recent activities of Philanthropy Australia in support of community foundations include (as at 1 July, 2005):</p> <p>Development of the Community Foundations Gateway on the Philanthropy Australia website at:  <a href="http://www.philanthropy.org.au/community/index.html">http://www.philanthropy.org.au/community/index.html</a></p> <p>Preparation of a detailed submission to the Commonwealth Government, Overcoming Legal And Regulatory Barriers Facing Community Foundations, the effect of which would be to reduce the legal complexities facing community foundations.</p> <p>With The Foundation For Rural And Regional Renewal (FRRR) and Freehills, liaison with the Australian Taxation Office, seeking a review of its restrictive attitude to donor-advised funds and how these may be referred to in marketing materials. The draft determination TD 2003/D16, published in October 2003, will allow foundations to market and administer donor-advised funds with confidence.</p>	<p>Further information relating to tax incentives and their tangible results of encouraging philanthropy via Australian community foundations was not identified.</p> <p>Read more at: <a href="http://www.philanthropy.org.au/community">www.philanthropy.org.au/community</a></p>

In 2002, the Tindall Foundation provided seed funding to investigate whether the Community Foundations model was relevant to New Zealand as part of an initiative to promote generosity. They continue to support the seven community foundations in New Zealand and

<sup>30</sup> <http://www.guardian.co.uk/christmas2000/story/0,7369,414565,00.html>

there are no specific tax incentives outside the current rebates system relating to donations via community foundations.

Read more at:

<http://www.nzcommunityfoundations.org.nz/>

### Payroll Giving or Employee Giving

The second vehicle discussed under “The 80%” of donors relates to Payroll Giving. The following table shows international comparisons in activities and results relating to Payroll Giving and how tax incentives affect them.

Country	Activities	Results
Canada	Imagine Canada engages companies through their Caring Company Programme, which is a national programme to help businesses develop, improve and promote their corporate citizenship initiatives. However, specific information relating to employee or Payroll Giving was not identified.	Further information relating to tax incentives and their tangible results of encouraging philanthropy via Payroll Giving in Canada was not identified. Read more at: <a href="http://www.givingandvolunteering.ca/pdf/CSGVP_Highlights_2004_en.pdf">www.givingandvolunteering.ca/pdf/CSGVP_Highlights_2004_en.pdf</a>
UK	In 2003, as part of its “Corporate Challenge” the UK government legislated so that donations through the payroll can be made from pre-tax pay. Company employees authorise their employers to deduct donations from their pay and pass these to a Payroll Giving agency approved by the Inland Revenue - the agency then distributes the money to the employees' chosen charity. Until April 2004, the Government added a further 10% to the donation, increasing its value to the charity even further.	As a result, payroll giving has increased from £55 million to £86 million. Read more at: <a href="http://www.hmtreasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corpchall.cfm">www.hmtreasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corpchall.cfm</a>
Australia	In July 2002 an Australian Tax Office ruling allowed for charitable donations to be made from pre-tax pay, paving the way for corporate Payroll Giving and matched giving programmes. In response to the success of this legislation on	By 2004, CAF Australia had distributed more than \$2 million from Australian corporate payroll giving programs to 230 designated not-for-profit organisations. Employees from 575 local companies gave nearly \$11 million in 2005 and the total pool is growing at between \$1 million and \$2 million a

<p>increasing Payroll Giving but a low take-up rate by corporate Australia, the federal government and the Prime Minister's Community Business Partnership relaunched the concept in mid-2005, giving three not-for-profit organisations (CAF Australia, the Australian Charities Fund and United Way) the job of helping companies set up their workplace giving systems.</p> <p>"Workplace Giving" allows employees the opportunity to make regular donations through their payroll system and provides "time-poor" people with a way to support their community.</p>	<p>year.  Medium-term estimates for the future propose a \$200 million money flow to charities through workplace giving.<sup>31</sup></p> <p>Read more at:  <a href="http://www.partnerships.gov.au/philanthropy/philanthropy_workplacegiving.html">http://www.partnerships.gov.au/philanthropy/philanthropy_workplacegiving.html</a></p>
---	---

Payroll Giving is in its infancy in New Zealand and there is very little information about its uptake here. A handful of companies have entered payroll-giving relationships directly with individual charities. Other formal structures for payroll giving exist through United Way and more recently Charities Aid Foundation Australia which has recently become active here. There appear to be no tax incentives for Payroll Giving organised through either structure apart from gifts coming in from overseas.

Read more at: [www.unitedway.org.nz](http://www.unitedway.org.nz)  
[www.cafaustralia.org.au](http://www.cafaustralia.org.au)

---

<sup>31</sup> Katrina Strickland, Things go better . . . when the giving is easy, Australian Financial Review, 23 February 2006

## Share Donation Programmes

The third vehicle discussed under “The 80%” of donors relates to Share Donation programmes. The following table shows international comparisons in activities and results relating to Share Donation programmes and how tax incentives affect them.

Country	Activities	Results
Canada	In 1997 the Canadian federal government reduced capital gains tax on donations of stock by 50% on a five-year trial basis.	<p>The result was a three-fold increase in gifts of publicly traded securities to charities – from C\$69.1 million to C\$200.3 million between 1997 and 2000. The percentage of stock donations jumped from 1.6% to 3.9% of all donations.</p> <p>In 2001, the government made the capital gains reduction permanent and in May 2006 it eliminated capital gains tax on donations of publicly listed securities to charities, effective immediately<sup>32</sup>.</p> <p>Read more at:  <a href="http://www.cra-arc.gc.ca/">http://www.cra-arc.gc.ca/</a></p>
UK	<p>In 2002 the Giving Campaign ran the Spare Shares campaign, an initiative to raise awareness among Britain’s 12 million shareholders about tax concessions on share donations.</p> <p>Individual UK taxpayers can claim income tax relief on the value of most stocks and securities when they donate them to charity. In addition, donating shares to charity gives rise to neither a gain nor a loss for Capital Gains Tax (CGT) purposes.</p> <p>Companies now get tax relief for gifts to charity of certain shares and securities. This is in addition to the relief when calculating capital gains.</p> <p>The company can claim this relief if it gives, or sell shares to a charity at less than market value, any qualifying shares or securities. The company simply calculates the value of the shares on the date of disposal (plus any incidental cost of disposal, less any benefit to the company of disposal) and deducts that</p>	<p>Further information relating to tax incentives and their tangible results of encouraging philanthropy via share donation in the UK was not identified.</p> <p>Read more at:  <a href="http://www.hmrc.gov.uk/businesses/tmagifts-of-shares-and-securities-to-charity.shtml">www.hmrc.gov.uk/businesses/tmagifts-of-shares-and-securities-to-charity.shtml</a>  <a href="http://www.sharegift.org/">http://www.sharegift.org/</a></p>

<sup>32</sup> [www.cfc-fcc.ca/prof-advisors/pdf/appreciated\\_securities-e.pdf](http://www.cfc-fcc.ca/prof-advisors/pdf/appreciated_securities-e.pdf)

	figure in working out its profits for corporation tax purposes.	
Australia	<p>In 2005, the Australian Government introduced changes to the tax treatment of gift of property, including Capital Gains Tax exemptions applying to gifts of shares.</p> <p>Donors may now receive a tax deduction for gifts of property held by the donor for more than 12 months and valued by the Commissioner of Taxation in excess of \$5,000, including environmental and heritage property donated to approved environmental organisations.</p> <p>Deductions for donations of property valued by the Commissioner of Taxation in excess of \$5,000, and donations of cultural property made through the Cultural Gifts Program may now be spread over a period of up to five income years.</p> <p>Bequests of property and gifts of cultural property made through the Cultural Gifts Program are now exempt from capital gains tax, thus maximising the appreciated value of these gifts for tax-deduction purposes.</p>	The recent introduction of this incentive means that information relating to tax incentives and their tangible results of encouraging philanthropy via share donation in Australia, was not identified.

In 2006, the Robin Hood Foundation and Goldman Sachs JBWere collaborated to launch “Shares for Good” in New Zealand. It is a registered independent charity that exists to provide a charitable home for unwanted shares to benefit charities in New Zealand and was inspired by ShareGift programme in the UK which was set up in 1996. People donate small holdings of shares, particularly those that it would cost more to sell than they are worth. In addition to providing overarching support for Shares for Good, Goldman Sachs JBWere also makes a substantial contribution by waiving all brokerage fees in respect of the donated shares. There are no taxation benefits.

## E-Philanthropy/Giving

The fourth vehicle discussed under “The 80%” of donors relates to E-philanthropy and the growth of “giving portals” to simplify generosity.

E-Philanthropy is argued to be the most cost-effective form of fundraising and one of the least intrusive.<sup>33</sup> This is because it allows individuals to go online at their leisure and make donations via the web through dedicated sites with searchable databases of potential recipients. Donations via portals are governed by the same tax laws as applied to any other method of donating so there are no specific tax incentives for this type of use.

The following table shows international comparisons in activities and results relating to E-Philanthropy and how tax incentives affect them.

Country	Activities	Results
US	In 1994, Guidestar was developed by Philanthropic Research Inc “to revolutionise philanthropy and non-profit practice with information”. A registered charity, it is financially supported mainly by a group of US trusts and foundations and private donations.	Guidestar is used by 20,000 people a day and its success has prompted the adoption of similar models in other countries. Further information about the tangible results of encouraging E-Philanthropy in the US was not identified. Read more at: <a href="http://www.guidestar.com">www.guidestar.com</a> and <a href="http://www.touchdc.org">www.touchdc.org</a> for information on a state-specific portal.
US	In 2001 Network For Good was created by AOL, Cisco Systems and Yahoo, to connect people to charities via the internet. It also works to advance non-profit adoption of the internet as a tool for fundraising, volunteer recruitment and community engagement.	From its inception to the end of 2005: 371,451 people gave over \$86.3 million to 20,490 charities online through Network for Good. 222,395 more found volunteer opportunities. Read more at: <a href="http://www.networkforgood.org/">http://www.networkforgood.org/</a>
Canada	CanadaHelps is a registered charity created to accept charitable donations online for charitable organisations.	Further information about the tangible results of encouraging E-philanthropy in Canada was not identified. Read more at: <a href="http://www.canadahelps.org/">http://www.canadahelps.org/</a>
UK	Based on the US version, Guidestar UK was	Further information about the tangible results of encouraging E-

<sup>33</sup> Network for Good, 2005 Annual Report, pg. 11

	<p>established in 2003 and is also a registered charity. It is financially supported by HM Treasury, the Home Office, the Charity Commission, grant-making trusts in the UK and US, and by private donations.</p> <p>It was established in response to the 2002 Cabinet Office Strategy Unit Report. The report found that the level of information available to the public on charities was inadequate.</p>	<p>philanthropy in the UK was not identified.</p> <p>Read more at:  <a href="http://www.guidestar.org.uk/">http://www.guidestar.org.uk/</a></p>
UK	<p>In 2002, the Charities Aid Foundation and AOL Time Warner established GiveNow with the aim of boosting online donations in the UK by directly connecting charities with the public.</p> <p>Read more at:  <a href="http://www.cafonline.org/Default.aspx?page=7593">www.cafonline.org/Default.aspx?page=7593</a></p> <p>CAF has also introduced allaboutgiving.org, a website designed to aid regular tax-efficient donations and a tailored E-fundraising service, which enables charities to fundraise online from their own websites.</p>	<p>CAF witnessed an 89% increase in donations to charity through its online services over the past year. From December 2003 to 2004, online giving through CAF grew by £3.2m to over £6.8m.</p> <p>In addition, 82% of the donations through givenow.org were Gift Aided - significantly higher than the national average of 30% for all UK donations.</p> <p>£2.44m in funds donated through CAF's E-fundraising service in the past year.</p> <p>In the 2003/2004 period, allaboutgiving.org generated more than £4.8m for charity, a growth of 62% on the previous year and the E-fundraising service nearly trebled to just under £1.3m in 2004.</p> <p>The fastest growing part of the E-fundraising service was Paperless Direct Debits (PDD) enabling charities to accept tax-efficient direct debit donations from their own sites. Income through PDDs grew by 530%, from £77,000 in 2003 to £484,269 in 2004, with the number of donors choosing to sign up increasing by 432%.</p>
Australia	<p>The Prime Minister's Community Business Partnership and Our Community Pty Ltd created The Brokerage Service - an innovative online resource for developing and maintaining effective community-business partnerships.</p> <p>An Australian Giving Centre is also available through the Our Community website offering a portal to donate money, goods and time. Our Community is a privately held enterprise that also makes grants as well as acting as a portal.</p>	<p>Further information about the tangible results of encouraging E-Philanthropy in Australia was not identified.</p> <p>Read more at:  <a href="http://www.ourcommunity.com.au/">http://www.ourcommunity.com.au/</a></p>
New Zealand	<p>In 2006, DonateNZ was established as a private company to co-ordinate donations of goods, services</p>	<p>Further information about the tangible results of encouraging E-</p>

	<p>and time to deserving community organisations</p> <p>Another portal, <a href="http://www.fundraiseonline.co.nz">www.fundraiseonline.co.nz</a> has the mission is to connect athletes, events, charities and donors and allows online donations.</p>	<p>Philanthropy in New Zealand was not identified.</p> <p>Read more at: <a href="http://www.donatenz.com/">http://www.donatenz.com/</a></p>
--	--	---

In 2004, Philanthropy New Zealand commissioned research into the most influential mechanisms for encouraging generosity in New Zealand. A “giving portal” along the lines of the ones established in other countries emerged as one of the most pressing needs for both potential donors of all types and donees. It remains a high priority for Philanthropy New Zealand and it is hoped that the data collection around the establishment of the Charities Commission in New Zealand would make such a resource a possibility in near future.

## Volunteering

The fifth vehicle discussed under “The 80%” of donors relates to volunteering and how significant amounts of individuals give their time, as well as their money to the Community and Voluntary Sector. The following table shows international comparisons in activities and results relating to volunteering and how tax incentives affect them.

Country	Activities	Results
Canada	<p>In 2001, Imagine Canada, the Government of Canada and Volunteer Canada collaborated on the Canada Volunteering Initiative. Its aim is to promote Canadians' participation in, and contributions to, their society by encouraging them to participate in voluntary organisations, to improve the capacity of organisations to benefit from the contributions of volunteers, and to enhance the experience of volunteers.</p> <p>In December 2002, the Government of Canada announced the establishment of three national centres of the CVI, with funding of \$35 million over five years for:</p> <ul style="list-style-type: none"> <li>• The Community Support Centre for Innovation</li> </ul>	<p>In 2003 almost 12 million Canadians or 45% of the population aged 15 and older volunteered during the year. Their contributions totalled almost 2 billion hours, an amount equivalent to 1 million full-time jobs.</p> <p>Volunteers contributed an average of 168 hours over the course of the year. Mandatory community service is included in these estimates<sup>34</sup>. Neither the 2004 Canada Survey of Giving, Volunteering and Participating nor the 2004 Follow-up Survey of Giving, Volunteering, and Participating (FSGVP) (following up on 2000 volunteers) considered the impact of tax incentives.</p> <p>Read more at: <a href="http://www.givingandvolunteering.ca">http://www.givingandvolunteering.ca</a></p>

<sup>34</sup> Statistic Canada, Caring Canadians: Highlights from the 2004 Canada Survey of Giving, Volunteering and Participating, 2006

	<p>– to test innovative volunteer development strategies.</p> <ul style="list-style-type: none"> <li>• The Information, Capacity Building and Awareness Centre - administers an information clearinghouse, an outreach and awareness campaign as well as a networking, training and capacity building programme.</li> <li>• The Knowledge Development Centre - a major initiative that will fund extensive research on volunteers and volunteerism – both community-based and national projects.</li> </ul>	
UK	<p>In 1999, Business in the Community, the UK Government and trusts collaborated to establish Cares - the UK's main business-led employee volunteering programme in the UK. It acts as a broker between local businesses and local voluntary and community organisations to allow employees to give their time and skills to their communities.</p>	<p>More than 350 businesses active in 28 locations.  50,000 volunteers active in the past two years.  Over 100,000 hours given to the community in 12 months.  700+ community organisations have participated.  54% of Cares volunteers are volunteering for the first time.  Further information relating to tax incentives and their tangible results of encouraging philanthropy via volunteering in the UK was not identified.  Read more at: <a href="http://www.bitc.org.uk/">http://www.bitc.org.uk/</a></p>
Australia	<p>In 1997, the Australian Government began to fund Volunteering Australia following its inception in 1991. It is the national peak body working to advance volunteering in the Australian community. Its role is to represent the diverse views and needs of the volunteer sector while promoting the activity of volunteering as one of enduring social, cultural and economic value.</p> <p>In July 2006, the Government announced it was considering a plan to reimburse retired volunteers for their efforts and to give tax breaks to volunteers still in the workforce. Under the proposed plan, volunteers in employment would be entitled to a personal income-tax deduction for the out-of-pocket expenses</p>	<p>Giving Australia research findings:  In 2004, 6.3 million Australians over the age of 18 years were active volunteers.  Approximately 836 million hours were volunteered by adult Australians in 2004, with each volunteer donating on average 132 hours of their time.  The largest number of hours on average was contributed by older and younger volunteers - 178 hours for the year by those aged 55-65 and 132 hours for those aged 18-24.  In 2004, 41% of adult Australians volunteered compared with 34% in 2002 and 24% in 1995 (ABS 2003).  The most active age group of volunteers is 35-44 years (47%).<sup>35</sup></p>

<sup>35</sup> Giving Australia 2005

	<p>incurred in their volunteering. Elderly volunteers on limited incomes and those who were pensioners should be considered for some direct monetary return for their efforts. Read more at:  <a href="http://www.worldvolunteerweb.org/news-views/news/doc/australia-considering-plan-to.html">http://www.worldvolunteerweb.org/news-views/news/doc/australia-considering-plan-to.html</a></p>	<p>Further information relating to tax incentives and their tangible results of encouraging philanthropy via volunteering in Australia was not identified.  Read more at:  <a href="http://www.volunteeringaustralia.org">www.volunteeringaustralia.org</a></p>
New Zealand	<p>Volunteering in New Zealand is co-ordinated by a series of offices throughout the country under the umbrella of Volunteering New Zealand.  The Tindall Foundation recently supported the establishment of a volunteering portal.</p>	<p>There are no tax incentives for volunteering in New Zealand.  Read more at:  <a href="http://www.volunteernow.org.nz">www.volunteernow.org.nz</a></p>

The Giving Behaviours and Attitudes Survey delivered the following information about volunteering in New Zealand.

- Two-fifths of respondents do volunteer work and are motivated mainly by the good work done by the cause itself
- The four most common areas supported in order are:
  - a. Church
  - b. Early childhood education or primary education
  - c. Organisations benefiting health or welfare of children
  - d. Sports
- Volunteers are usually donors as well
- Volunteering is usually within local communities
- Those that don't volunteer don't have time

In New Zealand, it is now common for charities to make a note of an estimated dollar value of their volunteers as part of their annual report figures, showing an increasing awareness of the value they contribute in the Community and Voluntary Sector.

## Corporate Giving

The other major section covered by this paper is philanthropy that is delivered through companies, known as Corporate Community Involvement (CCI). As with the individual donor area the scope goes beyond just the tax relief on the donation of money. It is extended to include most aspects of CCI including:

- Corporate foundations
- In-kind support
- Matched giving programmes
- Staff volunteering
- Cause-related marketing – where a proportion of the sale of a product or service is donated to a charity for a limited time

It should be noted that “sponsorship” is a generic term that may include one or a combination of any of the vehicles for corporate philanthropy listed above.

Some of the information related to payroll giving and volunteering may have already been covered in the previous section. The criteria for inclusion in this section relates to whether the value is coming directly from the company or the individual working for the company. For example, with payroll giving it is the individual who “donates” and the company is drawn in if they run a “matched giving” scheme alongside the employee-giving scheme.

The following table shows international comparisons in activities and results relating to corporate community involvement and how tax incentives affect them in general. Unlike the previous section, the corporate information is combined into a single table.

Country	Activities	Results
Canada	<p>Imagine Canada engages companies through their Caring Company Programme which is a national programme to help businesses develop, improve and promote their corporate citizenship initiatives.</p> <p>Caring Companies agree to give a minimum of 1% of pre-tax domestic profit to charitable and non-profit organisations. Members also commit to encourage and facilitate the personal giving and volunteer activities of</p>	<p>Since the inception of the Corporate Citizenship program in 1988, more than 600 companies have participated.</p> <p>Tax incentives relating to corporate community involvement were not identified but key findings include:</p> <p>According to the report published by Deloitte and Touche in 2000 entitled Survey of gifts of publicly-listed securities: final report, “it seems clear that tax incentives stimulate donations and are considered to be an essential tool by many”.<sup>36</sup></p>

<sup>36</sup> Deloitte & Touche, Survey of gifts of publicly listed securities: final report, 2000

	<p>their employees. Members can calculate their 1% commitment on any combination of these five eligible types of support:</p> <ol style="list-style-type: none"> <li>1. Gifts to registered charities</li> <li>2. Contributions to nonprofits that operate for public benefit</li> <li>3. Community Economic Development</li> <li>4. Community sponsorships</li> <li>5. Support for employee volunteerism</li> </ol> <p>Read more at: <a href="http://www.imaginecanada.ca/">http://www.imaginecanada.ca/</a></p>	<p>Volunteering - On average, volunteers who received employer support contributed more hours to more organisations in 2000 than did volunteers who did not receive such support. Those who received employer support volunteered an average of 151 hours for 1.8 organisations, whereas those who did not receive this support volunteered an average of 131 hours for 1.5 organisations.</p> <p>Read more at The Corporate Citizenship Collection at the John Hodgson Library: <a href="http://www.nonprofitscan.ca/special_collections.asp?section=ccc">www.nonprofitscan.ca/special_collections.asp?section=ccc</a></p>
UK	<p>In 2003, the "Corporate Challenge" scheme was launched by the UK Government in a joint Treasury and Home Office initiative aimed at increasing corporate community involvement in three main areas:</p> <ul style="list-style-type: none"> <li>• Corporate support for employee giving</li> <li>• Corporate support for employee volunteering</li> <li>• Corporate giving</li> </ul> <p>For a full guide to Tax Incentives for Corporate Giving, read more at: <a href="http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corporategiving.cfm">http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corporategiving.cfm</a></p> <p>In addition, in response to the Enterprising Communities report from the Social Investment Task Force, the UK Government created the Community Investment Tax Relief (CITR) Scheme in 2003. The aim was to support lending to enterprises in disadvantaged communities that were excluded from mainstream sources of finance.</p> <p>The scheme awards tax relief to individuals and corporate bodies investing in accredited Community</p>	<p>For the Corporate Challenge, tax incentives are available in the following areas:</p> <ul style="list-style-type: none"> <li>• Cash Donations</li> <li>• Secondment of Employees</li> <li>• Gifts of Shares or Securities</li> <li>• Land or Buildings</li> <li>• Equipment or Trading Stock</li> </ul> <p>Read more: <a href="http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corp chall.cfm">www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_corp chall.cfm</a></p> <p>The tax relief for CDFIs available to the investor is 5% a year of the amount invested. Since launch, 23 CDFIs accredited by the Small Business Service aim to raise £100 million through CITR.</p> <p>Key findings: Payroll Giving – increased from £55m in 2000/01 to £72m in 2001/02. Campaign Target = £100m by April 2004. Further information relating to the tangible results of encouraging corporate community involvement was not identified.</p>

	Development Finance Institutions (CDFIs), which in turn provide finance to qualifying profit-distributing enterprises, social enterprises or community projects.	
Australia	<p>The Prime Minister's Community Business Partnership was established in 1999 with the aim of encouraging and enhancing partnerships between the business and community sectors.</p> <p>The company law principles applying to corporate giving in Australia are covered in Freehills' paper "Pursuing profit, productivity and philanthropy: the legal obligations facing corporate Australia".</p> <p>Read more at:  <a href="http://www.partnerships.gov.au/pdf/freehills_philanthropy_paper.pdf">www.partnerships.gov.au/pdf/freehills_philanthropy_paper.pdf</a></p> <p>There are four main structuring options for a corporate foundation. Each type has its own advantages and disadvantages.</p> <p>Read more at:  <a href="http://www.partnerships.gov.au/pdf/corporate_foundations_mar%2005.pdf">www.partnerships.gov.au/pdf/corporate_foundations_mar%2005.pdf</a></p>	<p>Key findings:</p> <p>Business giving has more than doubled since 2000-01, with more than 525,000 businesses, or 67 per cent of all businesses, giving \$3.3 billion in money, goods, services and time during 2003-04.</p> <p>The number of hours donated by volunteers has risen 16% since 2000, with 41% of adult Australians volunteering 836 million hours.</p> <p>Further information relating to the tangible results of encouraging corporate community involvement was not identified.</p> <p>Read more at:  <a href="http://www.partnerships.gov.au/philanthropy/philanthropy_research.shtml">www.partnerships.gov.au/philanthropy/philanthropy_research.shtml</a></p>
New Zealand	<p>No formal programmes on promoting generosity through corporate philanthropy have been established in New Zealand.</p> <p>Deductions for publicly listed companies are cannot be more than the greater of 1% of the company's net income or \$4,000.</p>	<p>The low levels of deductions for company donations have driven most companies away from cash donations and into activities that they can claim tax relief on. i.e. sponsorships that are directly attributed to marketing budgets.</p> <p>However, this move away from cash donations is also part of a global trend towards more corporate driven vehicles (cause-related marketing, sponsorship etc) rather the philanthropic driven vehicles (cash donations and in-kind support) which tend to be a direct loss on the companies bottom-line profits for shareholders.</p>

Several private initiatives to enable and encourage corporate community involvement have been established in New Zealand in the last few years. The Robin Hood Foundation ([www.robinhood.org.nz](http://www.robinhood.org.nz)) works with companies to develop their CCI policies and identify suitable charity partners. In a joint venture with Saints Information Ltd (<http://www.saintsinformation.co.nz/>), the Funding Information Service has developed The CorporateCitizens - Directory of New Zealand Corporate Community Involvement provides a research tool for charities seeking relationships with companies. ([www.corporatecitizens.org.nz](http://www.corporatecitizens.org.nz))

The CorporateCitizens database research has begun to deliver some statistics on CCI in New Zealand. Since research began in 2004 150 companies have been interviewed about all aspects of their corporate community involvement and of those, 100 companies have verified their information on the live database. The following table outlines key findings so far:

<b>Type of Activity</b>	<b>Number of Companies Participating or Interested in Participating</b>
Corporate foundations	8
Cash donations	16
In-kind support	52
Payroll Giving Schemes including matched giving schemes	6
Staff Involvement including volunteering	35

While a sound estimate of the total budget for CCI in New Zealand is now calculable, it is not within the scope of this paper.

## Summary

It is evident from overseas programmes and research that generosity is profoundly influenced by tax legislation. The introduction of tax relief on donations has significantly increased giving throughout the world – along with other vehicles such as bequests, share donation and aspects of corporate community involvement.

The other major finding from this paper is that New Zealand trails other comparative Commonwealth countries in a multitude of ways – most importantly the availability of statistics and robust research that supports the Community and Voluntary Sector in its day-to-day work.

It is hoped that paper will allow individuals and organisations throughout the Sector to make informed submissions on the upcoming Discussion Document. It is also hoped that the result of this will ultimately launch New Zealand's philanthropy into a thriving, modern environment comparable on the world stage.

## Bibliography

- Auten, G.E. et. al., Charitable giving, *Income and Taxes: An Analysis of Panel Data*, *The American Economic Review*, 92, 371-382, 2002.
- Bater, Paul, Evaluating Tax Incentives for Donations to Public Benefit Organisations, *International Journal of Not-for-Profit Law*, Vol.3, 1.2, December 2000.
- Bradley, R, Holden S and McClelland, A Robust Estimation of the Effects of Taxation on Charitable Contributions, *Contemporary Economic Policy*, vol 23 issue 4, Oct 2005.
- Breeze, Beth, The Return of Philanthropy, *Prospect*, January 2005.
- Charities Aid Foundation, UK Giving 2004/05: Results of the 2004/05 Survey of Individual Charitable Giving in the UK.
- Chey, Andrew J., The Income Tax Act 1994 and Charitable Organisations, LLM Research Paper, Law Faculty, VUW, 2000.
- Cohen, T., Canadian Giving, *Philanthropy Journal*, pt 4, Sep 2006.
- COMVOICEs, What You Need to Know About Changes to the Taxation System for Charities, 10 May 2006.
- Deloitte & Touche, 2000, Survey of Gifts of Publicly Listed Securities: Final Report.
- Donoghue, F, Ritchie, H and Mulvihill, R, Warm Glow in a Cool Climate – Philanthropy in Ireland, Paper presented to the International Society for Third Sector Research Fourth Biennial Conference, 2000.
- Eikenberry, Angela M., Promoting Philanthropy and Substantive Democracy, Paper prepared for the 16th Annual Public Administration Theory Network Conference, Boundaries, June 19-21, 2003, Anchorage, Alaska.
- Fink-Jenson, K and Lau, M, The Philanthropy New Zealand 2003 Giving Behaviours and Attitudes Survey, BRC Marketing and Social Science Research, 2003.
- Foundation Center, Foundation Yearbook 2006: Facts and Figures on Private and Community Foundations.
- Fundraising in New Zealand, s.7, i.2, July 2006, Brokers Launch Share Donation Programme.
- Giving USA Foundation, Giving USA 2003.

Inland Revenue Department (New Zealand), Tax and Charities Discussion Document, 2001.

Johnson, Paula D, Stephen P. Johnson and Andrew Kingman, Promoting Philanthropy: Global Challenges and Approaches, International Network for Strategic Philanthropy, December 2004.

Jordan, Ana, The Charitable Status of Māori Organisations, LLB (Hons) Research Paper, Law Faculty, VUW, 2001.

Lloyd, Theresa, Why Rich People Give, Philanthropy UK, 2005.

Network for Good, 2005 Annual Report.

O'Regan & Lynch, Donor Advised Services in New Zealand: A Scoping Study for the National Strategy Group Promoting Generosity, October 2002.

Payne, A. Abigail, Firm Foundations: Putting Private and Public Foundations on Level Ground, C.D. Howe Institute Backgrounder no. 88, February 2005

PB Learning Ltd & Watson Consulting, Scoping Study on Citizenship Education in New Zealand Schools, November 2003.

Philanthropy New Zealand: Philanthropic Giving and Tax, April 2005.

Philanthropy New Zealand: Philanthropic Giving and Taxation, February 2006.

Philanthropy New Zealand: The Generosity Project, February 2005.

The Prime Minister's Community Business Partnership, Giving Australia: Research on Philanthropy in Australia, October 2005.

Robinson, David and Pat Hanley, Funding New Zealand 2002: Resource Flows to the Community Non-Profit Sector in New Zealand, A report prepared for Philanthropy New Zealand, Social and Civic Policy Institute, July 2002.

Roodman, David and Scott Standley, Tax Policies to Promote Private Charitable Giving in DAC (Development Assistance Committee) Countries, Working Paper Number 82 January 2006, Centre for Global Development.

Saints Information Ltd, Philanthropy New Zealand Next Steps Phase One, December 2004.

Saints Information Ltd, Review of International Trends in Generosity Initiatives, October 2003.

Statistics Canada and Imagine Canada, Caring Canadians, Involved Canadians: highlights from the 2004 Canada Survey of Giving,

Volunteering and Participating, 2006.

Steurle, C. Eugene, Charities on the Frontline and Making the Best Use of Tax Policy to Help Them, Testimony before the Subcommittee on Social Security and Family Policy, Senate Finance Committee, United States Senate, September 13, 2005.

Strickland, Katrina, Things Go Better . . . When the Giving is Easy, Australian Financial Review, 23 February 2006.

The Giving Campaign, A Wealth of Opportunity: How the Affluent Decide the Level of their Donations to Charity, 7 March 2004.

Tice, Karen E., Youth Grantmakers: More Than a Decade of Outcomes and Lessons Learned from the Michigan Community Foundations' Youth Project, Council of Michigan Foundations, 2003.

Watterson Leah and Quentin Digby, Pursuing profit, productivity and philanthropy: the legal obligations facing corporate Australia, Freehills, Melbourne, 2003.