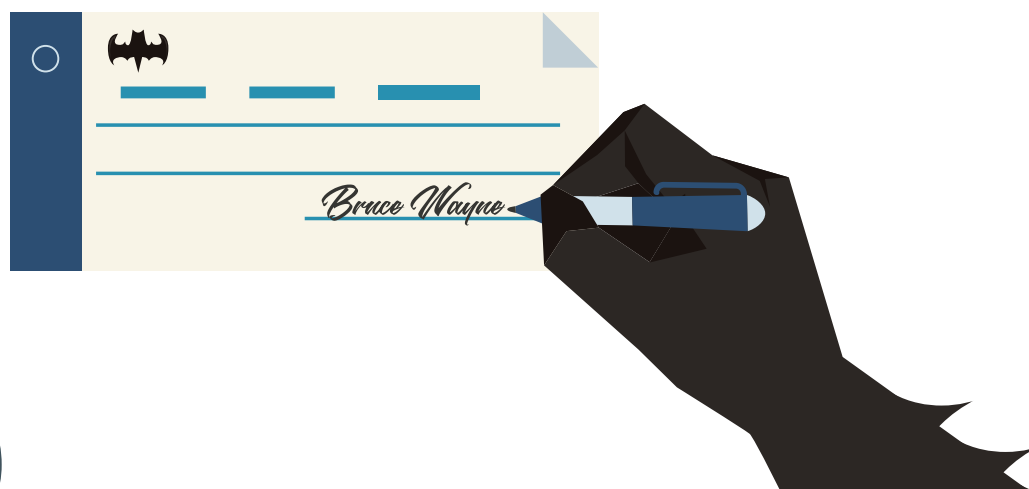




# ASK AN EXPERT

In our regular feature we answer readers' questions on any area in the world of finance, accounting, audit, tax, and other business-related areas.

Take advantage of our expertise and send your question to [questions@staplesrodway.com](mailto:questions@staplesrodway.com) and one of our specialists may answer it in a forthcoming issue of Numbers.



I own a large New Zealand business. I want to make a substantial donation to a local charity. Should I get my company to make the donation, or should I make the donation myself?

Answer from Andrew Dickeson, Director, Taxation, Staples Rodway Auckland

It is great to see that you are keen to give back to the community; indeed New Zealanders as a whole give approximately \$3 billion per annum to the charitable sector. This generosity helps a great many community causes, whether it is the local school, the ambulance service or helping those less fortunate.

There are a number of factors to consider in making your decision. If your business has other shareholders, then it might be more difficult getting them to agree to make a donation, or more likely, to whom the donation is to be given. It might depend on your desire for privacy; while the charitable sector respects the privacy desires of their donors, it is much easier to stay below the radar if the donation is made by Wayne Enterprises instead of Bruce Wayne. Staff participation may be a further factor to consider, and generally charitable giving by companies is strongly supported by their staff.

Parliament, recognising the value of the charitable sector, has provided tax benefits for charitable giving. Charitable donations can either generate a tax credit of one-third of the donation (for individuals) or a deduction for the donation (for companies). This is subject to certain limits.

In the case of a company, the deduction for the donation is limited to the net income of the company had the donation not been made. For example, if a company donated \$2 million, but only had net income of \$1 million, then the deduction is limited to \$1 million. Where the company has made a taxable loss, no deduction would be available.

In the case of an individual, the sum of the credit claimed cannot be more than a third of their taxable income. Inland Revenue state (on their website) that if an individual is married, in a civil union or a de facto relationship and their donations exceed this maximum, then their partner can claim the balance up to the relevant maximum.

For the tax credit/deduction to be available, the gift must be in money (this means that gifts of artwork, property and the like do not give rise to the tax credit). Donations can be staggered, and while donations must be an unconditional gift, acknowledgement by the recipient (for example, a plaque on the side of a Gotham clinic saying "funded by the generous donation of Wayne Enterprises") is acceptable.

*NOTE: The above is general advice only and should not be relied upon as specific circumstances can vary. Please contact your Staples Rodway advisor for specific advice.*