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ONLY FOUR MONTHS UNTIL TAX LAWS CHANGE! HAVE YOU APPLIED TO REGISTER YET?**Registration update**

The rate of applications coming in to the Commission is increasing (currently around 300 per week), and so is our queue – so now it's even more important to send your application to us, if you haven't already, to avoid any uncertainty about your ongoing tax exemptions.

Organisations whose applications are received after 1 July will no longer have a charitable-purpose tax exemption, and are at risk of tax liability. Remember, we are only able to backdate correctly-completed applications to the date we received them.

Charities registered as at 25 January 2008
2,142**Processing time**

Our registration analysts are currently reviewing applications received from 29 August.

If you don't hear from us straightaway after receiving confirmation that we have received your application, don't be concerned. We are concentrating all our efforts on processing applications as they reach the front of the queue, so you may not hear from us until you are registered. If we need further information from you, or when we have processed your application, we will be in touch.

Overview of types of charities registered as at 10 January 2008

The "big three" most common:

Sectors – education/training/research; other; religious activities

Activities – Other; provides services (eg care or counselling); makes grants to other charities (includes schools or other charities)

Beneficiaries – general public; other; children/young people

Areas of operation were as follows (note: the total is greater than the total number of registered charities, as some organisations tick two or more categories on their application):

Auckland – 268
Bay of Plenty – 130
Canterbury – 240
Chatham Islands – 3
Gisborne – 42
Hawke's Bay – 71
Manawatu-Wanganui – 101
Nelson-Marlborough-Tasman – 68
Northland – 99
Otago – 108
Southland – 53
Taranaki – 71
Waikato – 140
Wellington-Wairarapa – 208
West Coast – 32
Nationwide – 480
Overseas – 7

Delaying to make changes to your rules?

Some organisations say they have been delaying applying in order to make changes to their rules.

We suggest that if you haven't yet applied, you simply follow these three steps before sending us your application with your existing rules, to make sure you have a place in the queue of applications received before 30 June:

1. Make sure your officers match the number of officers specified in your rules, and complete a form for each of them

2. Make sure your rules show that your main purposes are charitable (ie - you don't make private pecuniary profit)
3. Send us your existing rules, together with your application form and officer certification forms.

Once we have your application forms and rules, and they reach the front of the queue, our analysts will make a detailed review of your rules. We will tell you if they don't meet the Charities Act criteria, and explain why (in a letter called "a notice that may lead to a decline").

Knowing the reasons, you can then more easily make any necessary changes to your rules (or choose to withdraw your application). If you do make any changes, you can then give us your updated rules, and retain your place in our processing queue.

This means you don't necessarily need to spend time having your rules reviewed or amended before applying – since we look at your rules as part of our process anyway!

We'll keep your place in the queue for you

What happens to your place in the queue if we ask you for more information or clarification after we review your completed application?

Sometimes, we may need to ask you for more information or clarification when we are processing your application. But, as soon as you come back to us with the information, the analyst looking at your application will pick it up again straightaway and continue work on it - your application isn't put back into the queue of those waiting for analysis!

Requests to "fast-track" applications

Some organisations have asked us if the Commission can "fast-track" their application (some are asking this in order to have funding released to them).

Because the Commission processes completed applications in the strict date-order in which we receive them, we are unable to pick out particular applications and give them priority, and nor are we able to "fast-track" the review process.

As a matter of fairness and impartiality, each application must go through the same process and be subject to the same consideration.

However, we do understand that for some applicants, for whom funding is contingent on being able to confirm their charitable purpose, the length of time it takes to process applications may cause concern.

Although it is taking time for the Commission's analysts to work through the queue of applications, our processes are similar to those of Inland Revenue, who previously considered applications for charitable-purpose tax-exemptions.

If you are planning to apply to funders who require you to provide evidence of your charitable purpose, and haven't yet applied to the Commission for registration, we strongly suggest that you do so as quickly as possible.

Can you restrict information in your Annual Return from public view?

The Charities Act requires all registered charities to file an Annual Return with the Commission – this is to bring together information that will give a better understanding of the charitable sector, make it more transparent, and help promote public confidence in charities.

The information provided in the Annual Return will also help the Charities Commission to monitor registered charities to ensure they remain qualified to be registered.

The Commission can grant an exemption from the requirement to send an Annual Return for any particular year. Each case is considered individually, but there are generally good grounds for exempting charities from filing Annual Returns that would contain information that pre-dates registration. Many organisations who have recently been registered have been granted an exemption.

The information provided in your Annual Return, including your financial accounts, will be publicly available on the Charities Register. However, the Charities Act does allow the Commission to restrict information from the public if it believes it is in the public interest to do so.

You can request that information – including financial information – is restricted under section 25 of the Charities Act. To do this, you will need to write to us explaining what information in your Annual Return you would like restricted from the public, and why.

The Commission will consider your request and let you know its decision.

You can find out more about restricting information from the public in our information sheet 'Restricting public access to your information on the Charities Register', available on our website, www.charities.govt.nz, or by phoning our free information line 0508 242 748.

Donee status

Did you know that individuals who give donations to charities with approved donee status can claim a rebate from Inland Revenue? Companies and Māori authorities can also claim a deduction for donations to an organisation with donee status.

The Charities Act doesn't affect donee status. Inland Revenue continues to administer donee status. A list of organisations with donee status is published on Inland Revenue's website, and the qualifying criteria are published in their booklet 'Charitable organisations' (IR255).

In brief, any organisation that applies its funds to charitable, benevolent, cultural or philanthropic purposes can apply to Inland Revenue for donee status.

If you've applied to register with the Charities Commission though, you won't have to make a separate application for donee status. Inland Revenue will use the information you give when you apply for registration under the Charities Act to work out or reconfirm your donee status. They will send you a letter about this shortly after you register with the Charities Commission.

If you don't want to register under the Charities Act, you'll need to apply for donee status directly to Inland Revenue (if you don't already have it).

What is payroll giving?

The Government released a discussion paper on a voluntary system of payroll giving in late November last year (submissions closed on 25 January 2008).

So what is it?

Payroll giving enables employees to make regular charitable donations from their pay. The employer forwards their donations either directly to a charity or to an intermediary.

For charities, payroll giving is an efficient, low-cost way to raise funds and provides regular income.

For employers, payroll giving provides a low-cost and administratively simple way to support employees' involvement in the community.

For employees, payroll giving provides a convenient way to give to charity.

All employees need to do is choose their charity, set the amount of their donation and ask their employer to deduct their donation each payday. In return, employees receive an immediate tax benefit on their charitable donations on each payday, without the need to collect receipts or wait until the end of the year to claim a rebate.

For more information, see

<http://www.taxpolicy.ird.govt.nz/news/archive.php?year=2007&view=562>

Tax legislation passed, increasing incentive for donations

New legislation, which increases tax incentives for donating to charitable organisations, has been passed in Parliament.

The changes remove the current \$1,890 rebate threshold on donations made by individuals and the 5 per cent deduction limit on donations made by companies and Māori authorities.

It means that people and companies can claim rebates and deductions for donations up to the level of their annual net income.

The changes take effect from 1 April 2008, for the 2008-09 income year.

Individuals

- The \$1,890 threshold for which individuals can claim a tax rebate for cash donations to donee organisations has been removed.
- Donors will be able to claim a 33 $\frac{1}{3}$ % tax rebate for donations up to their annual net income.

Company deduction for charitable donations

- The 5% limit on deductions that companies can claim for cash donations to charitable donations has been removed.
- Companies will be entitled to a deduction for donations made to charitable organisations, limited only by the amount of the company's net income.
- The company deduction is also being extended to include unlisted close companies (companies with five or fewer shareholders).

Māori authority deduction for charitable donations

- Māori organisations will be able to claim a tax deduction for cash donations to charitable organisations, limited only by the amount of their net income.

- The 5% deduction limit for cash donations made by Māori authorities to charitable organisations and Maori associations (as defined in law) has been removed, in line with the changes to the company deduction limit.
- The change will operate in exactly the same way as the change to the company deduction.

For more information and examples, go to <http://www.ird.govt.nz/news-updates/like-to-know-tax-rules-charity.html>

KiwiSaver for charity-sector employers

New KiwiSaver legislation was passed in December. It included two major changes that will affect all employers, including those in the charities and non-profit sector.

From 1 April this year, you will be required to contribute to your employee's KiwiSaver scheme or complying fund. A complying fund is a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver – eg lock-in rules, portability.

The level of contribution will be phased in over four years, starting at 1% of an employee's gross salary or wage. The amount you must contribute will increase by 1% every year until it reaches 4% in 2011.

To help offset the cost of making both voluntary and compulsory employer contributions, an employer tax credit of up to \$20 a week per member will be available even if you don't pay tax.

All contributing employers are entitled to claim the tax credit, including charities and non-profit organisations. You'll be able to offset the tax credit against the payment due when you file your PAYE returns using the new Employer deductions form (IR 345).

For many employers the net cost of contributing will be small, with the tax credit generally offsetting the contributions, particularly in the first year.

For instance, provided you make an employer contribution in the payment period, you can claim the lesser of your actual employer contributions for the employee for the period, or up to \$88.57, which is the maximum monthly employer tax credit able to be claimed per member.

More details about compulsory employer contributions and the employer tax credit are in the revised KiwiSaver employer guide (KS 4) in Part 3 and 4. Both the updated employer guide and KiwiSaver employee information pack (KS 3) will be sent to all employers in early February.

Meantime, you can visit www.ird.govt.nz/kiwisaver for more information. You can also register online through Inland Revenue's website to receive email updates.

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