

02 March 2011

Charitable donations of goods and services - update

Following the Christchurch earthquake disaster and concerns raised by clients, on Friday 25 February we addressed an open letter to Government and IRD recommending amendment to tax legislation, seeking to have charitable donations of goods and services deductible in a similar way to donations of cash.

The full statement is available at

www.owenstax.com/webapps/i/86765/200769/337126

We are pleased to report that we have already received messages of “in principle” support from around 50 organisations, mainly accountants in public practice but also CPA Australia (NZ branch), Tax Agents Institute, and the New Zealand Business Roundtable and some of its members..

The initial thinking seems to be along the lines of removing the taxation of trading stock disposed of for less than market value – in effect making the cost of donated trade goods (machinery, building materials, water etc) tax deductible. We would envisage that the cost of staff contributing time to charitable activities would also be treated as deductible, notwithstanding that they are not directly generating taxable income.

Changing tax treatment of capital assets might be more difficult, but we suggest there are ways to work around that anyway.

Our contacts have also noted that unlike the previous donations rebate regime, a taxpayer in a tax loss position (even temporary) does not immediately benefit from a deduction, and ask that the Government consider this aspect as well.

We look forward to Government’s early response, and in due course to the details of application.

Please address any comments to info@owenstax.com.

We will shortly publish a full list of supporters.

Yours sincerely

Jeff Owens
Director