

**STEWARDS TRUST OF NEW ZEALAND
INCORPORATED**

(Registered Charity CC10270)

www.stewards.org.nz

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Receipts for Charitable Donations

(Information provided November 2010)

I understand that all Brethren Assemblies are able to give receipts for donations to the Assembly which will qualify for the tax rebate. Is that true?

Basically, Yes.

If your Assembly has registered with the Charities Commission, and in your application you ticked the box saying that you received donations or koha, then you will have donee status as a flow on from that. (You can check this out at www.ird.govt.nz/donee-organisations/donee-organisations-index.html. Type your full registered name in the "Keywords" box, and click on SEARCH.)

If your Assembly has not registered, then the answer is still, Yes, but make sure you read right through to the end of this Information Sheet.

What do we put on the receipt?

You need to have the name of your Assembly – the name under which you registered with the Commission.

If you are not registered, the name needs to correspond with the name under which you are shown in the list of Brethren congregations appearing on the website: www.Brethren.org.nz. Inland Revenue Department has access to that website. You also need to identify your Assembly as an Open Brethren or Christian Brethren congregation.

You need to say that the receipt is for a donation qualifying for the tax rebate. And the receipt must be signed by the Assembly Treasurer.

Will receipts be queried by the Department?

They may be. And you need to be able to establish that the receipts are properly given. So a receipt can only be given if the donor can be clearly identified through an envelope system, through automatic payment receipts, or in some other verifiable way. Someone's word as to what they have given over the year won't do.

The records of donors, and the amount of their gifts, are to be kept for 7 years for inspection by the Department, if it so chooses.

Now, I am told that these receipts can only be given by charities operating within New Zealand. But our Assembly gives a lot of money to missionaries. How does that affect us?

The provision of the Income Tax Act under which churches qualify, allows donee status for a society, organization, etc. that:

...is not carried on for the private pecuniary profit of an individual, and whose funds are applied wholly or mainly to charitable, benevolent, philanthropic, or cultural purposes within New Zealand.

So the fact that some money goes overseas does not disqualify you. What “mainly” means is not defined. But clearly if something approaching 50% (or more) of the Assembly’s income goes overseas, you have a problem. And if you have registered as a charitable entity with the Charities Commission, the amount of overseas giving will be disclosed in your Annual Return.

If you have not registered, you still need to keep records showing how the Assembly’s funds have been used – whether in New Zealand or overseas.

What about earmarked gifts?

Such gifts are not actually part of the Assembly’s income, and should not be shown as such in the Annual Return. The Assembly is simply a channel to pass on the money to the specified recipient. If the money is earmarked to go overseas, you cannot give a tax rebate receipt for it.

We have not registered with the Charities Commission. How do we get on?

(a) Back in 1994, Stewards’ Trust obtained a ruling from Inland Revenue Department granting donee status for all Open Brethren or Christian Brethren congregations. After discussion with the Department, this umbrella approval has now been re-affirmed for the benefit of Assemblies who have chosen not to register. Normally, of course, registration as a charity and donee status go together, and some Departmental officers have to be persuaded that you can have donee status independently. The new ruling we have is contained in a letter to Stewards’ Trust dated 11 August 2010. The letter can be accessed by departmental officers through the Stewards’ Trust IRD number, which is 18-048-647.

(b) This still leaves the issue of Income Tax. You will remember that the income tax exemption available to charities was lost if you failed to register.

We are told that in the Department’s view, gifts from church members (and others) will not be treated as “income”. Income will consist only of interest on bank accounts, property rental, profit on the sale of literature, and things like that.

The Department has now agreed to allow non-registered Assemblies a deduction under Section DV8 of the Income Tax Act. We quote from the letter referred to above:

“[Non registered churches] are entitled to some tax relief that is available to non profit organizations not exempt from income tax. This is the deduction under Section DV8 of Income Tax Act 2007, which is either \$1000 or their net income after expenses, whichever is the lesser amount...While their net income remains under that sum there will be no tax to pay and therefore there will be no need to file income tax returns. Any exemption from resident withholding tax will continue.”

In simple terms, if the Assembly’s income, other than gifts and donations, is less than \$1000 p.a. you are not liable for tax, and do not need to furnish a tax return. But you need to keep accounting records for at least 7 years in order to confirm your income levels.

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The Stewards’ Trust of New Zealand Inc.