EFA

European Fundraising Association

Tax Incentives for Charitable Giving in Europe

December 2018

ABOUT EFA

The European Fundraising Association (EFA) is a network of fundraising associations working to strengthen and develop fundraising across Europe. Through its certification scheme, EFA offers a framework for developing national fundraising qualifications.

While membership bridges 17 European countries, EFA also works with observer nations and other international partners including fundraising associations in the US, Israel and Japan.

EFA is governed by a General Assembly made up of a representative from each country and its programme of work is directed by EFA's Board.

Led by President Gosse Bosma of Goede Doelen Nederland (Netherlands) and Vice Presidents, Andrea Caracciolo di Feroleto of ASSIF (Italy) and Eduard Marček of the Slovak Fundraising Centre (Slovakia), EFA's board also includes Pia Tornikoski of VaLa (Finland), Ceri Edwards of the Institute of Fundraising (UK) and Astrid von Soosten of Deutscher Fundraising Verband (Germany). Denise Dawes serves as EFA's Executive Officer.

EFA also publishes a newsletter six times a year, summarising fundraising news from across Europe. **Find out more at** www.efa-net.eu.

EFA would like to thank all contributors to this report, including representatives from:

ASSIF - Associazione Italiana Fundraiser (Italy), Asociación Española de Fundraising (Spain), Association Française des Fundraisers (France), Charities Institute Ireland (Ireland), Czech Fundraising Center (Czech Republic), Deutscher Fundraising Verband (Germany), FRII - Swedish Fundraising Council (Sweden), FAB - Fundraisers Alliance Belgium, Fundraising Verband Austria (Austria), Goede Doelen Nederland (Netherlands), Institute of Fundraising (UK), Slovak Fundraising Centre (Slovakia), Swissfundraising (Switzerland), Norwegian Fundraising Association (Norway), VaLa - Finnish Fundraising Association and Združenje ZRNO (Slovenia).

INTRODUCTION

Tax incentives can have a major impact on charitable giving and the overarching culture of philanthropy within a nation. It's not simply a case of any tax relief being a financial incentive to those that donate but providing a strong and coherent message that the Government recognises the key role of charities and non-profits, encouraging the public to donate.

While the large majority of European nations offer tax incentives to encourage charitable giving, there is a huge amount of variance in terms of the type of incentive available, how it is allocated and any restrictions that apply. This report summarises the key fiscal schemes in place to promote individual giving in sixteen European nations, all of which are members of the European Fundraising Association. It focuses on the main incentives that national governments offer to encourage charitable giving during donors' lifetimes, rather than charitable bequests or legacies.

This report is based on survey responses and additional questions, completed by representatives of the national fundraising associations in Austria, Belgium, Czech Republic, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Slovakia, Slovenia, Spain, Sweden, Switzerland and the UK.

KEY FINDINGS

Broad range of national tax incentive schemes to encourage philanthropy

The large majority of European nations included in this study offer tax incentives to promote philanthropy in some shape or form. Individual and corporate giving incentives vary considerably from nation to nation.

Only Sweden and Finland have no mainstream tax incentives in place for charitable donations from individuals, although Finland does offer a limited scheme that enables the public to benefit from tax relief when giving to select science or arts universities in the EU.

Of those nations that do offer tax breaks on charitable giving, the inclusivity and generosity of those incentives are wide-ranging. In Austria, tax incentives are currently restricted to just a few causes (predominantly fire brigades, donations to social causes, science, conservation and the arts). Meanwhile in Slovenia, although the public can choose from a wide array of charitable causes when giving tax-effectively, they can only allocate 0.5% of their income tax to good causes each year.

In Italy, an assortment of tax incentive schemes is available, depending on the cause or type of charitable organisation donated to.

The UK offers what may be perceived as the most inclusive scheme, with no minimum donation or cap on charitable gifts through Gift Aid and no restriction by cause. However, the tax incentive primarily benefits the charity rather than the supporter (except for corporate donations). A similar scheme exists in Ireland.

All nations in this study offer tax incentives on corporate donations, with the notable exception of Sweden.

Pre-tax deductions are the most common incentive model

Typically, individual donors can choose to deduct or exempt donations from their personal taxable income, reducing the amount of tax they are due to pay.

Tax deduction schemes are in place in 9 of the 14 European nations offering tax incentives on individual donations, which include Austria, the Czech Republic, Germany, Italy (which also offers tax credits), Netherlands and Switzerland. Tax deductions are also facilitated through the percentage allocation schemes in Slovakia and Slovenia, where a fixed percentage of income tax can be donated directly to charity from a tax return or statement.

Meanwhile, donors in Belgium, France, Italy, Norway and Spain can claim a tax credit against the value of their donations.

Grossed up donation models are unique to Ireland and the UK. This set-up enables charities to reclaim all or some of the tax paid by a donor on their gift, increasing its value. While the payment to charity is a tax credit, the UK Gift Aid model is a hybrid scheme, which also offers a tax deduction for higher rate taxpayers (further explanation is given below).

Tax incentives typically benefit the donor

In most cases, it is the donor that gains the tax benefit. And yet, in both the UK and Ireland, the primary tax benefit on individual donations goes to the charity. However, higher rate taxpayers in the UK also have a tax benefit through the Gift Aid scheme. They can reclaim the difference between the higher level of tax they have paid and the standard amount claimed by the charity. Some such taxpayers choose to keep this tax deduction for themselves, while others donate it to charity.

In contrast, when it comes to corporate donations in Ireland and the UK, it is the business – not the charity – that will benefit from the tax incentive (corporate tax relief). And if UK donors give directly from their pay (Payroll Giving) or donate gifts of land, property or shares, they will gain the full tax relief for themselves.

It is also important to note that, although the percentage allocation schemes in Slovakia and Slovenia may encourage charitable giving and enable the public to give tax-effectively, the system is often not perceived as providing such a tangible form of tax relief as is available in many other nations in this study.

Capped and minimum donation levels

With the exception of the UK, all tax deductions are limited either through a cap or fixed percentage scheme, however the level at which the cap comes in varies. Often the tax relief allowance can be rolled over into subsequent years.

Ireland offers a particularly high cap of €1,000,000 on tax-effective donations, however the majority of nations in this report (nine) cap tax relief at 10-20% of taxable income. This includes Italy, however there is some variance depending on the particular incentive scheme in play.

In Slovenia and Slovakia, tax relief is capped through the percentage allocation scheme, while Norway caps tax-effective donations at a set sum of 40,000 NOK (or around EUR 4,200).

Although half of the nations that offer tax incentives (7 out of 14) apply a minimum sum at which donations become eligible for tax relief, this is typically a low baseline (under EUR 100 annually), with the exception of Ireland, where a minimum donation of EUR 250 is required.

Execution of tax incentives

Charities' involvement in the execution of the tax incentive schemes vary significantly. Within the 14 nations that offer tax incentives on individual giving, the large majority must either provide details of the donors and donations they have received to the tax authorities or submit receipts to donors.

It is only charities in Slovakia, Slovenia and the Netherlands that are not required to provide any information (to the tax authority or to donors themselves) to process the incentive. Slovakia and Slovenia both operate a percentage allocation scheme, with the donation and tax benefit being allocated to the charity by the tax office when the donor completes his/her tax return. Therefore, the tax office already has information about donations and it is charities that are often in the dark about the source of their giving.

Charities in six European nations are formally required to provide information about donors or the donations they have received to the tax authorities. This includes the UK and Ireland where charities must file a tax claim in order to access the tax payment for themselves. In the UK, the charity is not typically required to provide information to support a higher rate taxpayer's claim for additional tax relief.

Charities in the remaining five nations are only required to provide donation receipts or statements to supporters, giving them evidence to support their claim for a tax relief or payment. In Germany, receipts are only required on donations exceeding EUR 200.

Corporate donations

While this study focuses on individual giving, it is noted that tax incentives are more widely available for companies than individuals. All nations in this report, with the exception of Sweden, encourage corporate donations by offering a tax incentive. It is also noted that some additional state-funded incentives exist to encourage businesses to donate, but that these lie beyond the scope of this report.

There is some variance in the restrictions that apply to tax-effective corporate giving. This ranges from Slovenia where only 0.3% of corporate income tax can be donated to charity annually (with an additional 0.2% available on gifts to select causes), to the UK where companies could potentially deduct 100% of their taxable income against donations made.

TAX-EFFECTIVE GIVING BY NATION - SUMMARY PROFILES

Austria

The public can deduct donations up to the value of 10% of the previous year's taxable income, but this only applies on gifts to 5% of charitable organisations (6,500 of all 123,000 charities and foundations combined). This includes 5,200 fire brigades and charities working to support social causes, science, arts, culture and conservation. Endowments to foundations are also tax-deductible. This scheme was introduced recently (in 2017) and around 18% of Austrian taxpayers donate in this way (source: Spendenbericht 2017). Charities are required by law to identify private donors by name and date of birth, and to report their donation to the tax authority for deduction. Companies also benefit from a tax deduction of up to 10% of the last year's taxable income on gifts to eligible charities and/or foundations.

Belgium

Tax relief is payable on charitable donations and, although the specifics can vary according to the level of income tax paid, it typically equates to approximately 45% of the value of the gift. Donors provide certificates of charitable donations to the tax authority and receive a refund of tax paid. Tax relief is capped at 10% of the individual's taxable income. Corporate donations are also tax deductible up to 5% of the total net income of the taxable period or EUR 500,000.

Czech Republic

The Czech tax system enables the public to donate to all charities registered for public benefit and exempts these donations from taxable income, up to a total value of 10% of the taxable income. Charities simply provide a 'gift confirmation' receipt to donors on request. Currently, just over 3% of taxpayers give in this way. Companies can also exempt donations to registered charities up to the total value of 5% of their taxable income.

Finland

There are no tax incentives for individuals that donate to charity in Finland, except for those giving to select universities in the European Economic Area. In this case, tax incentives apply only on donations from individuals or companies giving between EUR 850 and EUR 500,000, who can deduct it from their income or profit respectively. Only companies are eligible to claim a tax deduction on donations beneath the threshold of EUR 850.

France

Individuals in France can claim an income tax reduction (tax credit) of 66% of the amount donated or a 75% reduction in wealth tax. Donations to certain causes (including charities working with people in need) can qualify for a 75% reduction. However, tax relief is capped at 20% of annual taxable income. More than four in ten (43%) of donors give tax-effectively. Charities provide a tax receipt of donations, but do not need to submit information about donations to the tax authority unless verification is sought. Companies can deduct 60% of the value of their gift from corporation tax up to a maximum of 0.5% of their annual turnover.

Germany

Individuals in Germany can deduct up to 20% of their pre-tax income as a donation to any nonprofit organisation, so long as it is recognised by the tax office. There is little administrative burden for charities, with donors requiring receipts only on donations exceeding EUR 250 and no formal interaction required between charities and the tax office. Donor surveys indicate that over a third (37%) of taxpayers donate in this way. A similar scheme exists for corporate donations.

Ireland

Both the Irish and UK tax incentive schemes gross up the value of donations, enabling charities to benefit from the tax that supporters have already paid on their gift. In Ireland, it is the charity that benefits from the taxable income that individual donors have already paid on their gift. This applies on donations from taxpayers giving between EUR 250 and EUR 1,000,000 during the year. Charities must file letters of donor consent with the tax department before they can claim the tax payment or credit. However, when it comes to corporate giving, companies claim the tax benefit for themselves.

Italy

Several tax incentive schemes exist in Italy, with different structures and benefits available depending on the cause or type of charitable organisation. This includes tax deductions on gifts to charitable organisations qualifying as ONLUS (Organizzazioni non lucrative di utilità sociale), the Art Bonus scheme, which offers the public a 65% tax credit against the cost of donations to arts or cultural institutions, a social bonus scheme for public buildings, gifts to schools (School Bonus), universities and scientific research. The limits vary according to the particular incentive scheme, but for general donations, people can give up to 10% of their taxable income. Similar incentive schemes exist for corporate giving.

Netherlands

Donors can deduct the value of their donations from their taxable income, so long as the charity is registered as a public benefit organisation. Income tax rates in the Netherlands range from 19%-52% and the tax benefit on donations is capped at 10% of the annual taxable income. Currently the scheme is used by about 8% of taxpayers. Charities are not required to submit information to the tax authorities about donations received. Companies are also entitled to deduct the annual value of their gifts up to a maximum of 50% of their annual profit/revenues.

Norway

Tax-effective giving in Norway has more than doubled since 2005, with almost 3.5 billion Norwegian krone (NOK) donated in this way in 2015. Individuals who donate 500-40,000 NOK to charity annually are eligible for a tax deduction against the value of those donations. A similar scheme exists for corporate giving. Charities are required to register for approval to receive such gifts and must submit details of donations to the tax authorities (with donors' permission) in order for them to access the tax break.

Slovakia

Slovakia abolished its former tax deduction scheme in 2004, replacing it with a percentage allocation scheme, as is the case in some other Central and Eastern European nations. Through the current scheme, the public can allocate 2% of their income tax to a non-profit organisation (or 3% if they have volunteered over 40 hours of their time during the previous year) directly from their tax return. A similar scheme exists for corporate donors, who can allocate 1-2% of their corporate income tax to charities, and over a third (35%) of companies donate in this way. Further incentives exist for companies that donate to sports organisations.

Slovenia

As is the case in Slovakia, a fixed percentage allocation scheme exists in Slovenia, but at a lower level. The public can complete a tax statement, allocating 0.3% of their income tax to an NGO, political party or church, which typically equates to EUR 5-50 per person (depending on their income). Companies can also give 0.5% of their taxable income to public benefit organisations, and an additional 0.2% if the donation is for cultural organisations or disaster relief.

Spain

The Spanish public can claim a tax credit of 30% of the value of their donations. However, a tax deduction of 75% applies to the first EUR 150 donated from supporters who have given for the past three years or more. Tax relief is capped at 10% of the taxable income. A similar scheme exists for corporate donations. In order for donors to access the tax payment, charities must submit details of the donations received to the Ministry of Finance.

Sweden

No general tax incentive is available for individuals or businesses that donate to charity in Sweden.

Switzerland

Individual donors in Switzerland are eligible for tax deductions on cash and the value of other donations given (including property, intellectual property and more), providing they have given more than 100 Swiss Francs (EUR 85) during the year. Tax relief is capped at 20% of taxable income and applies on gifts to all recognised charitable organisations. Charities simply provide donors with a statement of donations made during the previous year, which they can file with the tax authorities. It is estimated that 25% of taxpayers use the system. A similar scheme applies for corporate donations.

UK

Similarly to the Irish scheme, Gift Aid enables charities to claim the basic rate of tax paid on the value of donations they receive from taxpayers (increasing the donation value by 25%). Donors must complete a Gift Aid declaration, permitting the charity to claim the tax credit from the state. Higher rate taxpayers are then entitled to claim back the difference between the higher and basic rate of tax. Additional tax incentives apply on donations of land, property, shares, payroll donations, cultural artefacts, legacies and workplace giving. With no minimum donation or cap for Gift Aid donations, CAF's UK Giving 2018 report indicates that half of all UK donors currently use the scheme. Companies using the scheme gain the tax benefit for themselves, deducting charitable donations from their taxable income.

CONTACT EFA

European Fundraising Association James Wattstraat 100
NL-1097 DM Amsterdam Netherlands

Phone: +49 30 4053 6845 Fax: +49 30 4053 6846 E-mail: info@efa-net.eu

Web: www.efa-net.eu Facebook: EFAFanPage Twitter @EFAfundassn

EFA is registered at the Netherlands Chamber of Commerce, reg. no. 34212817