

Hospice Waikato's Guide to Payroll Giving

Give as you earn



Introduction to Payroll Giving

During November, employers throughout the country received information about the new voluntary payroll giving scheme, which they can offer in their workplaces from 7 January 2010.

Payroll giving is an easy way for employees to support good causes as it enables donations to go directly from a person's pay to a community organisation. Payroll giving will be administered through the PAYE tax system, so people whose employers sign up for the scheme will receive the tax benefits of their donations each payday, without having to present donations receipts or wait to claim at the end of a tax year.

Payroll giving is available only to employees whose employers file their employer monthly schedules and PAYE deduction forms electronically, using Inland Revenue's IR-File service, and who choose to offer payroll giving in their workplace.

As an individual employee you may have asked your company to direct a regular deduction from your salary to Hospice Waikato, or your employer may have a staff foundation that directs a collective fund to Hospice Waikato.

For Individuals

- Individuals who choose to make payroll donations will receive a tax credit on the amount of those donations each payday. The tax credit is calculated on a set rate of 33 $\frac{1}{3}$ percent of the donation made. The tax credit is offset against the PAYE amount calculated on the employee's gross pay, thereby reducing the amount of PAYE payable for that period. The maximum tax credit permitted is limited to the tax portion of the PAYE deduction on the employee's pay each pay period.
- The \$1,890 threshold for which individuals can claim a tax rebate for cash donations to donee organisations will be removed.
- Payroll Giving makes giving to Hospice Waikato straight forward by eliminating the need to retain receipts each time or to have to request and file rebate claims.
- The donation is taken out of the salary before tax.
- Participation is completely voluntary.
- By way of encouragement, employers may match employee donations dollar for dollar with a cap.
- Overseas programmes report boosts in staff morale and benefits felt in the community.
- You can help Hospice Waikato by leading the initiative to get a workplace giving programme started at your place of work and by joining a payroll giving committee.

For example: Sheryl donates \$3,000 to various charities and other non-profit organisations, including her local church. Her taxable income for the 2009 year (1 April 2008 - 31 March 2009) is \$35,000. In the past Sheryl could only claim a maximum of \$630. With the removal of the threshold Sheryl will now receive \$1,000, a gain of \$370. For Sheryl to claim her rebate she will need to complete the Rebate Claim Form (IR526). Sheryl will need to include her receipts from the approved charitable organisations with her rebate claim form.

For Employers

- Every employer received a letter and brochure explaining the basic changes. Employers with five or more staff also received a CD-Rom including the Payroll Giving Guide (IR617) from Inland Revenue and a selection of promotional posters. All this material is available on the Inland Revenue Website and from the Office for the Community and Voluntary Sector website.
- How employers choose to set up payroll giving is very flexible – it is entirely voluntary for both employers and staff – and employers can limit the scheme to a few community organisations if they choose to.
- Workplace giving to Hospice Waikato is a low cost and administratively simple way to support employee morale and enable businesses to connect with their communities in ways that achieve tangible and mutual benefits for everyone involved.
- Businesses can encourage events that allow employees to interact with Hospice Waikato including the launch of the payroll giving programme and related media or public exercises.
- The company's involvement can be extended to supporting employee volunteering and fundraising opportunities.
- The 5% limit on deductions that employers can claim for cash donations to donee organisations will be removed.
- Employers will be entitled to a deduction for donations made to donee organisations, limited only by the amount of the company's net income.
- The regular donation is taken out of the salary before tax and provides "real time, tax relief reflected in normal pay, based on the amount donated." 1
- "New Zealanders gave \$1.27 billion to philanthropic causes in 2005." 2 Payroll Giving, providing a real time benefit for charitable giving, Inland Revenue Department, New Zealand.

For example: Company Ltd is a publicly-listed company. In the 2009 tax year (1 April 2008 - 31 March 2009) Company Ltd supported the local community charities, donating \$20,000. The Company Ltd net income before taking into account its donations was \$200,000. Under the current law, Company Ltd is entitled to a tax deduction of \$10,000. Under the new rules, the full \$20,000 can be deducted. The tax deduction will be included in the company's income tax return (IR4).

Hospice Waikato maintains strict confidentiality. The employer and its employees can be acknowledged and kept up to date with the impact that donations make.

Maori Authorities

- The 5% deduction limit for cash donations to donee organisations and Maori associations will be removed.
- Maori Authorities will be entitled to a deduction for donations made to donee organisations, limited only by the amount of their net income.

The change will operate in exactly the same way as the change to the company deduction and the donation deduction will be included in the Maori authority's income tax return (IR8).

How to Start Payroll Giving:

1. *Fill out a Hospice Waikato Payroll Giving form*
Download the Hospice Waikato Payroll Giving form and please follow instructions on the form. The amount donated is taken out of the salary before the salary is taxed. The details are coded into the payroll system.
2. *Funds Transfer*
Each pay period the employer remits the employee donation to Hospice Waikato. This will be remitted as a single amount, representing the combined donations from their employees. Employers retain a record of the donations made by each employee throughout the year. Hospice Waikato will be provided with the contact details of each employee, but will not contact individual employees except as agreed (see below).
3. *Acknowledgement*
Hospice Waikato issues a single acknowledgement receipt to the employer for the funds received from that pay period.
4. *Annual Receipt*
At the completion of the tax year Hospice Waikato provides each employee with a receipt detailing the donations made through the tax year, an acknowledgement and the details of what was achieved that year with the donations.

Hospice Waikato undertakes that:

- The names of all of the participants shall remain confidential. Employees names will not be added to the Hospice Waikato mailing lists unless instructed.
- During the course of the year Hospice Waikato will thank the staff and the company by sending acknowledgements advising the impact that donations make.
- All communications for employees will be coordinated through the key contact, the Donor Manager.
- Information about a company programme is confidential between the Donor Manager, designated company representatives and Hospice Waikato representatives.
- Any material that is promotional in nature to either Hospice Waikato or to the company must be signed off prior to its release, subject to mutual agreement with Hospice Waikato.

The company undertakes to:

- Appoint a Donor Manager.
- To convene a committee of employee volunteers to maintain ideas and support to grow the programme.
- To help induct new employees and to provide content for related materials on websites or newsletters.

For more information on payroll giving read Payroll Giving: providing a real time benefit for charitable giving written by the Policy Advice Division of Inland Revenue Department (Nov 2007) New Zealand.

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