

## AbaF

# What type of gifts can be tax deductible?

Only certain types of gifts to public funds on the register are tax deductible to donors:

- money gifts of \$2 or more
- property purchased during the 12 months before the gift was made
- trading stock disposed of outside the ordinary course of business, and
- gifts of property valued by the Tax Office at more than \$5,000.

### **What is a gift?**

Gifts have the following characteristics. They:

- are made voluntarily
- do not provide a material benefit to the donor, and
- essentially arise from benefaction, and detached and disinterested generosity.

Not all payments to DGRs are gifts. For example, the following payments are not gifts:

- purchases of raffle or art union tickets
- purchases of chocolates, pens, etc
- membership fees
- payments where the person has an understanding with the recipient that the payments will be used to provide a benefit for the 'donor'.

### **What is an appropriate acknowledgement for a gift?**

Acceptable forms of acknowledgment include stickers, mention in a newsletter or annual report, and plaques if they are of small cost and prominence. However, enlarging the acknowledgment into forms of advertising would prevent the payment being a gift. Although there is no gift deduction, businesses may be entitled to claim income tax deductions for such payments as advertising costs.

### **What makes a gift ineligible for a tax deduction?**

There is no gift deduction where a person enters into an arrangement in relation to the making of a gift and:

- the value of the gift to the DGR is, or would be expected to be, less than the value of the gift at the time the gift was made
- any other entity makes, or may reasonably be expected to make, payments to other persons in relation to the gift
- the donor or an associate obtains, or would be expected to obtain, any benefit other than the benefit of a tax saving, or
- the DGR or another fund, authority or institution is to acquire property from the donor or an associate.

### **Are contributions to fundraising events eligible for tax deductions?**

Certain fundraising events encourage contributions which may extend minor benefits to the contributor. As a benefit is received in return, the contributor is not entitled to claim the contribution as a tax deductible gift. However from 1 July 2004, contributors (Individuals only) may be able under certain circumstances to claim a tax deduction for a portion of their payment as a tax deductible contribution. The deductible part of the contribution is the amount that exceeds the minor benefit received by the contributor.

### **How much can be claimed?**

The amount of the deduction depends on the type of gift. For gifts of money, it is the amount of the gift. For gifts of property there are various valuation rules.

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