

Tax deductible donations: Get the most out of giving back

Donating to a charity or cause you care about is a win-win for both you and the charity. Charities rely on the generosity of donors to help them do their work, while you get the satisfaction of supporting a worthy cause. Even better, many donations are tax deductible, meaning they reduce your assessable income. Here's what you need to know about making a tax deductible donation.

How do I make a tax deductible donation to charity?

The ATO has rules that govern whether a donation can be claimed as a deduction on your tax return.

To be eligible, your gift or donation needs to be made to a charity that has 'deductible gift recipient' (DGR) status. Most DGR charities will list this on their website, but you can also look it up on the Australian Business Register.

In addition, it must be a donation of money or property of more than \$2. That can include financial assets like shares.

In some cases, there are special rules (gift conditions) that affect the types of deductible gifts the charity can receive. Always check with the charity before making a donation, especially if it's a substantial sum.

When is my donation not tax deductible?

If you receive anything in return for your donation, the ATO won't consider it a 'gift' for tax purposes, meaning it's not deductible. For example, buying raffle tickets or paying to attend a fundraising dinner. The ATO views this as an exchange of goods for money, therefore it's not tax deductible. If you receive something small, with no monetary value as a thank you, for example a sticker, that's ok.

Keeping track of tax deductible donations

To claim a tax deduction, you need to have proof of making the donation. That can be in the form of a receipt, bank statement or other written record. Most charities will issue you with a receipt when you make a donation, although they're not legally required to. Always ask for a receipt and save it together with your other tax deductible receipts.

You can claim donations for gifts of up to \$10 without a receipt.

How do I claim my donation as a tax deduction?

For gifts of money over two dollars you can claim the full amount of the donation in your tax return. Simply include your deductions in the Gifts or Donations section of your tax return.

Different tax rules apply for donations of property or shares, so seek professional tax advice.

How much tax could I get back?

Some charities have donation calculators on their website to help you estimate your potential tax benefit. Be aware that your actual tax refund may differ from this amount, depending on your overall tax position. Always

seek professional tax advice if you're considering making a substantial donation, or looking to reduce your tax bill.

What else to consider when making a donation

Do your research when choosing a charity, especially if you're looking to make a regular or large donation. Choose a charity or cause that's important to you and check their credentials. Look into the kind of activities they do and find out how your donation will be used.

You can search the Australian Charities and Not-for-profits Commission (ACNC) register to find out more information about the charity, including financial information, a summary of activities and annual reports.

Beware that scammers often pose as legitimate charities and may contact you via phone, SMS or email asking for donations. Always look up the charity on the Australian Business Register and/or the ACNC register as outlined above.

Source: Money and Life