

1 April 2009

Payroll Giving Stalled for the Meantime

In a media release issued on the eve of the new taxation year, Revenue Minister Peter Dunne is seeking a deferment of the application date of a number of proposed tax reforms, including payroll giving, which were planned to come into force on 1 April. The Bill enacting the changes is not expected to pass into law before August.

The changes are part of the Taxation (International Taxation, Life Insurance, and Remedial Matters) Bill, introduced last July and currently under consideration by Parliament's Finance and Expenditure Committee.

Payroll giving would allow employees to have their charitable donations removed from their paypacket before tax is calculated, allowing for an instant credit on charitable giving. Currently people making charitable donations have to wait until the end of the taxation year to claim a tax deduction.

Revenue Minister Peter Dunne believes that many business people and their tax advisors are becoming increasingly concerned about the problems of working in accordance with complex tax reforms that have still to be enacted.

"My view is that it's simply not realistic to stick to all the application dates as originally proposed, and that Parliament should consider deferring the application dates of those large reforms that are particularly problematic for compliance with and administration of the new rules.

"The application dates of most concern are those for the reforms relating to our international tax rules, the taxation of the life insurance business, definitions of associated persons, and payroll giving for charitable donations.

Second guessing the actual wording of any taxation legislation may cause issues that lead to penalties.

Employers who want to get payroll giving under way on 1 April will find they have no legislative basis on which to make charitable donations from their employees' pay.

Mr Dunne has written a letter to the chairman of the select committee, outlining his concerns and asking the committee to give serious consideration to a number of deferments, in whole or in part, of application dates in the bill.

"I am announcing my recommendations today to give greater certainty to affected businesses, although it is the select committee that will recommend any changes to the proposed legislation.

"For payroll giving, a change keenly awaited by charities but requiring changes to employers' payroll systems, I have recommended that the application date be deferred from 1 April 2009 to three months after enactment."

Fundraising expert and commentator Heather Newell of Foresee Communications said the deferment was disappointing but happily many donors are making regular gifts to non profit organisations through automatic payments and direct debits and all donors can claim back their refunds at the end of the tax year. "To date, our research tells us that few employers were aware of the implications of the payroll giving proposal although some non profits have been working to create relationships with businesses to take advantage of the new opportunities," said Heather. "Those organisations not on top of the opportunity will now have a little more time to build their profiles and persuade corporates of the benefits of supporting a payroll giving programme."

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*For more information contact:
Heather Newell, Foresee Communications
Ph 04 5280742*