

Submission to the Commission on Taxation

Registered Payroll Deduction Based Charities

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INTRODUCTION

This submission is made in the context of

- active citizenship in the form of those with some helping those with little or nothing for no reason other than a passionate desire to bring life preserving help and improvement to the health and welfare of the poor and the marginalised
- the clearly stated commitment of the Government to facilitate and encourage independent fundraising and giving by the Irish charity sector
- the undoubted scope and the great need, especially in the current economic climate, to maximise administrative efficiencies, to reduce unnecessary and costly workload and to make it as easy and as simple as possible for individuals to give, and for charities to receive, funds without making additional demands on Government

This submission is made from the perspective of those registered charities which get the vast bulk, if not all, of their contributions from individual subscribers through centralised employee payroll systems. However the proposals are likely to benefit a wider range of charities which work with the poor and marginalised.

The fundraising activities of payroll deduction based charities tend to be confined to the collection of ongoing contributions 'inhouse' from current and retired staff members. Such funds are to be found in the Public Services, ESB, the Banks, FAS, RTE, Aer Lingus, Vodafone, Dublin City Council, the Gardai and in other public and private bodies throughout the country. Generally, the employer or institution will make either specified or ad hoc donations to supplement the employee contributions and will cover most, if not all, of the day to day running costs which, invariably, are minimal.

While exact figures are not readily available for the total Payroll Based Charity Contributions Sector we can say that the funds listed above have, together, some 20,000 contributors who, over the past 25 years, have given more than €50m (fifty million euro) to improve the health and welfare of hundreds of thousands of the most chronically deprived people.

CHANGES PROPOSED

- 1. Increase the Self Assessment threshold from €3174 to €10,000 index linked with contributors having in excess of €10,000 in unearned income given the choice of opting to have the tax rebate paid directly to the Charity**

The current limit of €3174 in unearned income has been in place for a considerable number of years. At present when PAYE individuals exceed this limit they must claim the tax rebate themselves. In very many cases they then issue a cheque to the charity for the equivalent of the rebate. This is unnecessarily cumbersome. It also causes confusion in that the following year an amount equivalent to the tax rebate received is eligible for inclusion by the individual as an additional donation to the charity and so is subject to a further tax rebate, and so on.

There is, of course, the point that some contributors may decide to retain the rebate themselves and may have set the amount of their contribution with that in mind. Increasing the limit will still leave them with the option of adjusting their payroll deducted contribution to take account of the fact that the tax rebate would now be paid direct to the charity.

While the increased limit could have the effect of reducing the individuals tax credits, at the same time it would also remove the need for the lump sum advance payment of tax based on previous year's non earned income. Overall the change proposed would not disadvantage the individual and it would be revenue neutral from a Tax perspective. It would clear up an area of confusion, there would be a huge improvement in administrative efficiency for both the charity and the individual and possibly the Revenue Commissioners. When taken together with proposal 2, it would be of considerable benefit to the Charity.

Accordingly we propose that the limit of €3174 be increased to €10,000 and index linked and we also propose that, where the unearned income exceeds €10,000 individuals be given the choice of opting for the rebate to be given directly to the Charity rather than to themselves.

2. Simplify the Tax rebate system for PAYE contributors

The present system is exceptionally cumbersome and time consuming. Each year the Charity has to have a Revenue Tax Rebate form completed by each qualifying PAYE contributor for submission to the Revenue to facilitate rebate of the tax element to the Charity. Forms are sent to the individual contributors; there is then a seriously time consuming and costly workload in following up to ensure the forms are completed and returned to the Charity. Explanations are very often necessary as many contributors feel that, if they have not completed an up to date Annual Tax Return, they are not entitled to complete the Form.

Because of the value of the tax rebate to the Charity, more and more charities are putting extra effort into getting the completion rate up to the maximum. As a result, the workload is increasing relentlessly. All of this can be improved dramatically.

We propose that, where a contributor donates to a registered charity under a payroll deduction scheme and the contributor is a PAYE only taxpayer, then the following procedure should apply

- each year the Charity/Payroll Unit provides Revenue with a listing of PAYE contributors showing the name of the contributor, the amount contributed in the tax year and the marginal tax rate in each case
- Revenue issue one payment to the Charity for the amount of the tax rebates so listed
- Charity/Payroll Unit will keep a record of listings for six years
- Form CHY2 to be completed by the PAYE contributor Year1, confirming he/she is not self-assessed, and every five years thereafter

Adoption of this proposal would transform the workload which must be undertaken by payroll based charities. It would not change the tax rebate liability of the Revenue Commissioners.

CONCLUSION

The Payroll Based Charities operate hugely on the basis of considerable voluntary work with little or no costs charged to the Funds. They ask for no recognition or return for their efforts other than the satisfaction of helping those who cannot help themselves. They do ask that these proposals be accepted and acted upon so that they can devote more time and energy to helping people who need that help most. The proposals do not create any new or additional funding costs for Government. Implementation of these proposals would be in keeping with Government commitment to, and encouragement for, the independent fundraising charity sector in Ireland.

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