

IRAS CIRCULAR

TAX TREATMENT ON DONATIONS WITH BENEFITS



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TAX TREATMENT ON DONATIONS WITH BENEFITS

1. INTRODUCTION

This Guide sets out the concessionary tax treatment applicable for donations with certain types of benefits.

2. CURRENT TAX TREATMENT

- 2.1 Under section 37(3) of the Income Tax Act, a double tax deduction in respect of certain donations is granted. However, where the donor receives a benefit in return for the donation made, the tax deduction is only granted on the difference between the donation and the cost of benefit.
- 2.2 Similarly, for GST purpose, a donation is not subject to GST where the recipient of donation does not provide any benefit to the donor in return for the donation. Where the recipient of donation provides some benefits to the donor in return for a donation, all or part of the donation is considered to be payment in return for goods or services. GST is to be accounted by the recipient of donation on such consideration if the recipient of donation is GST-registered.

3 CONCESSIONARY TAX TREATMENT – DONATIONS WITH CERTAIN BENEFITS

- 3.1 IRAS has reviewed the tax treatment of donations with benefits. To further encourage philanthropic giving, as a concession, certain donations made to registered charities and institutions of a public character (IPCs) will be deemed to be pure donations notwithstanding there is a benefit given in return for the donation. To qualify for the concessionary tax treatment, donations with benefits given in return will be regarded as pure donations if the benefits are treated as having no commercial value. Benefits are treated as having no commercial value if the following conditions are met:
- (a) the benefit is given in acknowledgement of the donation; and
 - (b) the benefit has no resale value
- 3.2 The table below lists the common benefits given in return for donations, wherein IRAS will now deem the donations as pure donations for which the concessionary tax treatment is applicable.

Types of Benefits	Whether Benefit is Considered to have a Commercial Value	Income Tax Treatment	GST Treatment
Charity dinners where the donation includes ticket to attend dinner	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.

Types of Benefits	Whether Benefit is Considered to have a Commercial Value	Income Tax Treatment	GST Treatment
Charity shows where the donation includes ticket to attend show	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
Complimentary tickets (e.g. entry to Singapore Zoo)	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
Golf tournament where donation includes golf game for donor	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
Souvenir or gift (e.g. plaques, commemorative books, CDs, goodie bags, etc)	No, except where such souvenir or gift is sold commercially. The souvenir or gift will <u>not</u> be considered as sold commercially if it: (a) is specially made for a particular fund-raising event and not available for sale in the market; (b) bears the logo of the fund-raiser or; (c) carries the fund-raising message.	Tax deduction on the full amount donated is allowed to the donor. Where the souvenirs or gifts are commercially available, tax deduction on the difference between the amount donated and the price of the souvenir or gift is allowed to the donor.	No GST needs to be accounted by the recipient of donation. Where the souvenirs or gifts are commercially available, GST is to be accounted by the recipient of donation on the price of the souvenir or gift.

3.3 For all other benefits given in return for donation, the current tax treatment of disallowing income tax deduction and imposing GST on the benefit accruing to the donor continues to be applicable. The table below lists some of these benefits given in return for donations, and illustrates the current tax treatment for the circumstances.

Types of Benefits	Whether Benefit is Considered to have a Commercial Value	Income Tax Treatment	GST Treatment
Advertising space	Yes	Tax deduction on the difference between the amount donated and the price of the advertising space is allowed to the donor.	GST is to be accounted by the recipient of donation on the price of the advertising space.
Charity auction	Yes	Tax deduction on the difference between the amount donated and the market value of the item being auctioned is allowed to the donor.	GST is to be accounted by the recipient of donation on the market value of the auctioned item.
Lucky draws	Yes	No tax deduction on any amount donated is allowed to the donor.	<p>Where the payout from lucky draws is in the form of cash, GST is to be accounted by the recipient of donation on the gross donations received less cash payout.</p> <p>Where the payout from lucky draws is in the form of goods or services, GST is to be accounted by the recipient of donation on the gross donations received.</p>
Sales of artefact	Yes	Tax deduction on the difference between the amount donated and the market value of the artefact is allowed to the donor.	GST is to be accounted by the recipient of donation on the market value of the artefact.

- 3.4 The concessionary tax treatment prescribed under paragraphs 3.1 and 3.2 will apply to qualifying donations made on or after 1 May 2006 to registered charities and IPCs. IRAS will update the lists regularly to provide clarity and certainty to registered charities and IPCs and support their fund raising activities.

4. ENQUIRIES

- 4.1 For enquiries or clarification on this circular, please call 6351 3347 or email to charities@iras.gov.sg.

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