

FAQ from IRAS presentation on Tax treatment of donation and sponsorship

Thank you for your participation, queries and feedback at the CMF engagement session on 24 March 2021. Responses to questions raised during the Q&A which we did not have time to address on the spot, are below.

As mentioned during the engagement session, CMF is currently working with partners like IRAS to provide further guidance on sponsorships and donations. Your feedback will be taken into consideration in this effort, and IRAS will consult with IPCs prior to the finalisation of the new e-tax guide on these issues. In addition, CMF will work with IRAS to organise a separate engagement, as had been suggested during the engagement session. We will share arrangements for this once ready.

As a general point, we encourage IPCs and charities to delink the giving of benefits (e.g. advertisement benefits) from donations. Donations are free-will gifts that should not be contingent on any benefits-in-return in the first place. Separating the two will give IPCs and their donors the greatest certainty that their contributions will qualify as donations and be eligible for enhanced income tax deduction.

Donations with Benefits

1. Does a ticket to a dinner/gala count as donation? Is the food/entertainment a "benefit" to the contributor?

Please refer to the [e-tax guide on Tax Treatment on Donations with Benefits](#). If the contributor made a donation to an IPC and in acknowledgement was given tickets to attend a gala dinner, the concessionary tax treatment will apply. While the food and entertainment are benefits to the contributor, the e-tax guide considers these as incidental benefits to the gala dinner, and treats them as having no commercial value.

However, if the IPC sells tickets outright for a contributor to attend a gala dinner, then the transaction is akin to a purchase of goods/services by the contributor and the contribution cannot be regarded as a donation.

IRAS have received feedback on this treatment following the engagement session. They will review the treatment and provide further updates if there are changes to the treatment.

2. Para 6.4 of the [revised e-Tax guide](#) clearly stated that charity gala dinner is considered to have no commercial value.

Where a charity organises a gala dinner to acknowledge or recognise donors for their donations, IRAS would treat the benefits associated with the dinner as having no commercial value if they meet the conditions set out in the e-tax guide.

However, if the charity is selling tickets outright for contributors to attend a gala dinner, then this is akin to a sale of goods/services and cannot be treated as a donation in the first instance. In such a scenario, the e-tax guide will not apply.

IRAS have received feedback on this treatment following the engagement session. They will review the treatment and provide further updates if there are changes to the treatment.

(Note: The [e-tax guide](#) only applies to donations. If the contribution is not a donation, para 6.4 should not be applied.)

- 3. Raising funds through gala dinner is common in the charity sector and IPCs will issue TDRs for donations they receive towards the fund-raising dinner, along with a ticket to attend the dinner. This is not unique only to the arts groups but also for charities in other sectors such as social service agencies. Will the following scenarios qualify for concessionary tax treatment and not be designated as sale of tickets?**
- (i) the IPCs publicly state for example “for every \$xx donation, we will extend you a complimentary ticket to the dinner/gala in appreciation of your contribution”.**
 - (ii) the IPCs publicly list the various category of donations and the number of seats they will be given.**
 - (iii) the IPCs publicly request for support of the gala dinner by ‘donating’ tables (rather than just individual seats). This may also be accompanied by a ‘discounted rate’ e.g. donate the amount for 9 seats for a full table of 10 seats, and/or other acknowledgements of the size of the donation e.g. additional lucky draw tickets.**

Please refer to the e-tax guide on Tax Treatment on Donations with Benefits. The 3 scenarios highlighted above are fundraising appeals for donations in connection with charity gala dinner events. In acknowledgement of the donations received, the donors are given tickets to attend the gala dinners. IRAS would treat the benefits associated with the dinner as having no commercial value if they meet the conditions set out in the e-tax guide.

However, if the charity is selling tickets outright for contributors to attend a gala dinner, then this is akin to a sale of goods/services and cannot be treated as a donation in the first instance. In such a scenario, the e-tax guide will not apply.

- 4. If a donor gives a freewill donation, then subsequently asks the IPC if it can distribute brochures/leaflets (without asking for the donation to be refunded). Can this still be considered as a donation since at the point of donation, the intent is purely donation purpose?**

We would need to look at the full facts and circumstances of the specific case to ascertain the true intent of the contributor. We encourage IPCs and charities to delink the giving of benefits from donations. Donations are free-will gifts that should not be contingent on any benefits-in-return in the first place. Separating the two will give IPCs and their donors the greatest certainty that their contributions will qualify as donations and be eligible for enhanced income tax deduction.

- 5. Does tickets for a fun fair comes under donations?**

Sales of tickets for fun fair (as in the case of outright sale of dinner tickets) are akin to outright exchange of money for goods and services, they are not donations.

Acknowledgement of donors

- 6. Can we add links to the donor's website as acknowledgement?**

Please refer to para 6.7 of the [e-tax guide](#) for what can be considered as acknowledgement.

7. Can the logo acknowledgement be accompanied by the words "Supported by" to qualify as a donation?

Please refer to para 6.7 of the [e-tax guide](#) for what can be considered as acknowledgement. "Supported by" can be equivalent to "with compliments from". However, you are encouraged to use the words such as "with compliments from" / "in acknowledgement of" / "with appreciation to".

8. Does logo acknowledgement to donors constitute advertising with commercial value?

Please refer to para 6.7 of the [e-tax guide](#) for what can be considered as acknowledgement. An IPC or registered charity that merely acknowledges a donor for its donations will not be considered as having conferred a benefit to the donor.

9. It is a common practice to acknowledge donors by publishing the names of the donors in materials such as posters and printed programmes of an event even if they do not usually request for it. Would this be regarded as sponsorship?

Please refer to para 6.7 of the [e-tax guide](#) for what can be considered as acknowledgement. An IPC or registered charity that merely acknowledges a donor for its donations will not be considered as having conferred a benefit to the donor if they meet the conditions set out in the e-tax guide.

10. If the donor is a company, does it mean that their logo cannot be displayed in any of the printed brochures?

Please refer to para 6.7 of the [e-tax guide](#) for what can be considered as acknowledgement.

Sponsorship vs Donation

11. Can a Charity donate to another Charity? Example: Charity A donate to Charity B for bursary award to underprivileged students. Charity A's name will in the publicity materials of the Bursary.

Whether a charity can donate to another charity will depend on the objectives in its governing instrument and any relevant regulation under the Charities Act. A charity may donate to another charity if the donation can be said to be in furtherance of its charitable objects. Tax deduction of donations is irrelevant to a registered charity (donor) which is exempt from tax.

As for whether a contribution is considered a donation, this would depend on the intent of the contributor - whether it is a free will gift or an exchange of money for benefits.

- 12. The determination of sponsorship vis-a-viz donation is not practical for some sectors. This maybe clear for social services but for arts, recognising the donor in some form is normal. For example, arts companies want to sell tickets and it is normal for arts groups to offer the members or staffs of the donor discounted ticket pricing. Is this a benefit-in-kind? Because the donor's intent is clear. He wants to donate but we want them to help us sell show tickets also. In this case, this should not be considered as "benefit in kind"?**

Where an IPC offers discounted tickets to a donor, there is a clear benefit to the donor because it can purchase tickets at prices that are lower than what the public pays. Under the law, the value of the benefit needs to be deducted from the donation amount before arriving at the tax deduction available to the donor.

- 13. Can I say that as long as it is treated as a business expenses in the donor accounting books it shall be treated as revenue in the charity organization's accounting books rather than donations?**

Whether a contribution is considered a donation would depend on the intent of the contributor. Whether it is a free will gift or an exchange of money for benefits. This has to be ascertained by looking at the facts and is not necessarily a function of how the relevant entities account for such transactions in their books.

- 14. Can a sponsor also separately be a donor?**

Yes, a sponsor can also separately be a donor if he is making an outright donation. It is important to track and account for both types of transactions separately.

Proof of Intention

- 15. What are some of the ways to test for intention, other than perhaps verbally ask and get a verbal answer that they are intending to support regardless of benefits? Do we need to show proof that test of intention is done?**

The intent of the contributor shall be ascertained by the case facts and circumstances in totality. For the greatest certainty, it is best to delink benefits from donations, which in the first place should be free-will gifts that are not contingent on the IPC offering any benefits in return.

- 16. Should we ask donor to issue a letter declaring that a sum of money is intended as a donation and no quid pro quo is expected?**

The intent of the contributor will have to be ascertained by the case facts and circumstances in totality.

Sector consultation

- 17. Are there any sector consultation process prior to the finalisation of the e tax guide on donations?**

The new e-tax guide on donations vs sponsorships is still being drafted. IRAS will consult the IPCs prior to its finalisation.