

**Pre-Budget Submission  
to  
The Dept of Finance  
by  
The Community Foundation for Ireland  
and  
Business In The Community Ireland  
on  
Taxation Matters Relating  
to  
Philanthropy in Ireland**



**John Gallagher  
Chairperson  
The Community  
Foundation for Ireland**



**Kieran McGowan  
Chairperson  
Business In The  
Community Ireland**

22 October 2007

October 22, 2007

Mr Brian Cowen TD  
Minister for Finance  
Dept of Finance  
Government Buildings  
Upper Merrion St  
Dublin 2

Dear Minister Cowen,

Your very public support for the development of a philanthropic culture in Ireland has been a source of particular confidence and encouragement to our organisations. Against a backdrop of unprecedented economic achievement we are seeing a growing number of individuals and families seeking advice on how philanthropy can be incorporated within their overall wealth management plans. With Government commitment to strengthen the climate in which philanthropy can prosper and with the support of a wide spectrum of enlightened and generous donors, The Community Foundation for Ireland will broaden even further our response to some of the most pressing social needs facing our multi-cultural Ireland of the 21<sup>st</sup> century.

The Finance Bill 2006 introduced a new Section 485C that places a restriction on the use of tax relief schemes by high income earners. Unfortunately this includes the tax relief scheme on donations in the list of tax relief schemes covered by this section which effectively caps the amount of tax relief that high income taxpayers can claim. It is our view that this new legislation which came into effect in 2007 **limiting** the tax relief on charitable donations needs to be reviewed. Individuals with income in excess of €250,000 who have specified tax reliefs available to them will be restricted in the amount of tax relief they can claim each year. The specified reliefs that a person will be able to apply against their taxable income will be restricted to 50% of their gross income in any one tax year. The donation scheme is fundamentally different from other tax reliefs since there is no benefit to the donor other than the tax relief. Logically it should not be compared to a property based tax relief where the taxpayer owns the property and gets the tax relief. We are seeking to have this cap removed as it is a retrograde step that will slow down the making of substantial gifts in excess of e.g. €250,000.

Indeed, just recently, The Community Foundation for Ireland had a prospective donor – a private client of Davy Stockbrokers - who planned to give €300,000 to charitable causes in Ireland through us but pulled out at the last minute when his accountant informed him of the cap and the tax implications. At our philanthropy lectures we have met people who, by making large multi annual commitments to a particular charity, are now effectively precluded from any further tax efficient charitable giving because of the cap. To say they are frustrated would be an understatement. The Irish economy, and society generally, has benefited hugely from a business friendly and indeed an individual friendly tax regime. Tax comes into many other business decisions these donors make, and is in their minds, inextricably linked also with philanthropy and the long term planning around their wealth.

The Community Foundation for Ireland has met over 60 professional advisors (accountants, wealth managers, solicitors etc) over the last 12 months, most of whom can help introduce to a greater degree the role of philanthropy in one's overall wealth management. In meeting with these advisors who work with wealthy individuals we are increasingly finding that more of their clients consider themselves to be in "surplus wealth" situations (a nice situation to be in) but that because of the tax situation they are holding back from either engaging in significant direct giving to charities of their choice, or in setting up their own foundations or a fund with e.g. The Community Foundation for Ireland.

We would urge you Minister in the forthcoming budget to simply delete references to caps on charitable giving from Section 485C of the 2006 Finance Bill. This would be a significant commitment for the good of Irish society. We, like you, believe that all Irish tax payers should pay their fair share of tax, but by restricting charitable giving by including it with other completely dissimilar tax breaks is, in our opinion, a major deterrent to developing a philanthropy culture here. The Board of, and donors to, The Community Foundation for Ireland as well as the Board of Business In The Community Ireland urge you to amend the legislation. We will continue to ask for change directly on this issue both in conjunction with The Irish Charities Tax Reform Group and through The Philanthropy Forum – which is a very commendable development on behalf of the government.

Your favourable review of our submission by way of practical amendment of aspects of the 2006 Finance Bill which would reinstate the original tax relief afforded to charitable donations to charities and foundations such as ours will be a legacy which will enormously benefit current and future generations.

Again, our thanks for your support on behalf of the Board of The Community Foundation for Ireland and the Board of our sister agency Business In The Community Ireland.

Your's faithfully,

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Tina Roche

Chief Executive, The Community Foundation for Ireland and Business In The Community Ireland

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