

Budget 2012 Update: Charities

Our Team



Eamonn Griffin, Tax Partner

T +353 (0) 1 418 2009 · E eamonn.griffin@rsmfsgs.ie



Ciara Garry, Assistant Tax Manager

T +353 (0) 1 408 6942 · E ciara.garry@rsmfsgs.ie

Charities and Not-for-Profit

Although the Minister did not make any specific announcements in relation to this sector, we have outlined some of the changes which will, in any event, have an impact:

1. The pre-budget submission from the Irish Charities Tax Reform Group ("ICTR") detailed that the not for profit sector employs over 100,000 people in Ireland. The Minister indicated that one of the key ambitions of this Budget was to protect jobs and aimed to do this by maintaining the current income tax rates. In fact, some of the lower paid or part time employees could see increased salary due to the increase in the exemption limit for the Universal Social Charge.
2. The increase in the VAT rate from 21% to 23% will have a substantial impact on the charity sector as, unlike commercial business, charities are not entitled to recover VAT on their expenditure so this will represent increased costs. There had been pre-budget submissions requesting the Department of Finance to carry out a discussion process with a view to changing the VAT recovery position for charities but nothing to this effect was announced in the Budget.
3. It was welcomed that tax relief on charitable donations was not changed from the current 41%, however there were additional changes that the Minister could have introduced to boost charitable donations but these have not appeared in the Budget:
 - Remove tax relief on charitable donations from the list of specified reliefs restricted for high income individuals.
 - Reduce the amount of annual donation required before tax relief applies from the current €250 to €100.
4. Finally, although tax exempt charities are exempt from DIRT, other charities will suffer from the increase in the DIRT rate from 27% to 30%.

We now just wait to see if there will be any additional measures announced in the Finance Bill early next year.

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For further information please contact:

RSM Farrell Grant Sparks

Molyneux House, Bride Street
Dublin 8, Ireland

T +353 (0) 1 418 2000
F +353 (0) 1 418 2044
E dublin@rsmfsgs.ie

Church Street, Longford
Co Longford, Ireland

T +353 (0) 43 334 1900
F +353 (0) 43 334 1754
E longford@rsmfsgs.ie

RSM McClure Watters

Number One, Lanyon Quay
Belfast BT1 3LG, Northern Ireland

T +44 (0)28 9023 4343
F +44 (0)28 9043 9077
E office@rsmmcw.com