

# Corporate tax relief for donors from 2020 (3/7/20)

Recent amendments to the Corporate Income Tax (CIT) Act are expected to increase the flow of donations this year. This article explores amendments relating to CIT relief for donors applicable from 1 January 2020 to 31 December 2022.

## Types of donor relief

Effective from 2018 the new CIT Act changed the way donors can claim tax relief. From 1 January 2018 a taxpayer wishing to donate can choose one of the following three types of relief:

1. Excluding from the tax base for the tax period any donations up to 5% of the taxpayer's after-tax profit for the past year;
2. Excluding from the tax base for the tax period any donations up to 2% of the taxpayer's total gross wage for the past year on which national insurance contributions have been paid; or
3. Deducting 75% of the donation from the amount of CIT charged on dividends for the year, capped at 20% of that charge.

According to the State Revenue Service, taxpayers have so far preferred the first two types of relief. After the new CIT Act took effect in 2018, NGOs felt a huge drop in incoming donations and presented the lawmaker with proposals for amending the CIT Act.

Section 12 of the CIT Act was amended to improve the situation and encourage the business community to take part in furthering the public interest. The amendments raised the percentages available under the third type of relief to motivate donors.

Accordingly, over the period from 1 January 2020 to 31 December 2022 taxpayers can deduct 85% of their donations from the amount of CIT charged on dividends for the year, capped at 30% of that charge.