

FINALISED GUIDELINES ON CONDITIONS FOR DTD TO GRANTMAKERS

Current Tax Treatment of Donations

1 Currently, Section 37(3)(c) of the Income Tax Act allows a double tax deduction (DTD) on a donation of money made by a person to an Institution of a Public Character (IPC). Where a person makes a donation of money to a grantmaking philanthropic organization that does not have the IPC status, tax deduction on such a donation is not allowed even if the donation is eventually channeled to an IPC.

Changes to the Tax Treatment of Donations made to Grantmaking Philanthropic Organisations

2 In the 2007 Budget Statement, one of the announced changes to promote philanthropy was to allow DTD to donors of qualifying grantmaking philanthropic organizations, where the donations are intended for and channeled to an IPC. This is applicable even where the grantmaking philanthropic organization itself is not an IPC.

3 The following are the conditions to be met by the grantmaking philanthropic organizations, to ensure that the donations of money intended for IPCs are in fact so channeled, so that the donors may be eligible for DTD in respect of these donations. This DTD initiative will take effect for donations of money made on or after 1 Jan 2008.

Conditions for Allowing DTD on Donations Made To Grantmaking Philanthropic Organisations

4 The Inland Revenue Authority of Singapore (IRAS) will be the administrator of the DTD mechanism. Qualifying charities and not-for-profit organisations approved under the NPO incentive scheme who wish to make use of this scheme will have to register with IRAS their intention to do so, and undertake to adhere to the conditions listed in para 5(a) to (h). IRAS reserves the right to revoke the right of the registered charity or approved NPO to make use of the DTD mechanism if the entity fails to meet any of the conditions listed in (a) to (h).

5 Qualifying grantmaking philanthropic organizations will be allowed to grant DTD at the point of donation by the donor. They must also fulfill the following conditions listed in (a) to (h):

- a. The grantmaking organisation must be either a registered charity under the Charities Act or a grantmaker approved under the NPO tax incentive scheme administered by MAS or EDB;
- b. The grantmaking organization must channel the donation that is intended for the IPC to a segregated account/fund (hereafter “designated IPC fund”) that is designated for donations to IPCs only;
- c. The grantmaking organisation will be responsible for issuing the tax-deductible receipt to the donor, and it must distribute the donations to IPCs within 5 years of receipt of the donations from the donors;
- d. The grantmaking organization will be liable to pay to the IRAS a financial penalty of the amount ascertained by the formula $0.4x$ the total value of the donations for:
 - i. Any amount of DTD that has been incorrectly granted or that is not properly due to a donor; and
 - ii. Any amount of DTD granted on donations that are not disbursed within the 5-year timeframe.
- e. Upon dissolution of the designated IPC fund, the grantmaking organization must distribute any residual funds/assets (if any) to IPCs;
- f. The grantmaking organization must institute proper procedures to ensure that the donations are in fact channeled to IPCs;
- g. The grantmaking organization must keep proper records such as the identity of each donor, date of donation, amount of donation received from each donor and the amount of DTD receipts that was issued to each donor. These records must be kept for at least 7 years; and
- h. The grantmaking organization must subject the designated IPC fund to an annual external audit, and submit the annual audited accounts to IRAS.