

e-CTIM No.42/2012

22 March 2012

TO ALL MEMBERS

TECHNICAL

Donations to Schools and Registered Places of Worship

The 2012 Budget Speech (paragraph 45) states that financial contributions from companies and individuals to all registered places of worship and registered schools *for the purpose of upgrading their facilities* will be given tax deduction.

CTIM would like to advise members that the information set out below is preliminary and is subject to changes. We have been informed that **Guidelines for the Application of Approved Special Fund** will be uploaded on the websites of Inland Revenue Board (IRB) and the Ministry of Finance (MOF) once the amendment to the Income Tax Act 1967 (ITA) is gazetted.

Application for Approved Special Fund

- In order to enable donors to qualify for tax deduction, a religious body/educational institution has to apply individually to the IRB as soon as possible for approval to set up a “**Special Fund**” under the amended section 44(6), ITA for the purpose of receiving cash donations from the public.
- The **Special Fund** is established for purposes of **management, operating, maintenance** of religious body/school. Please note that this is **separate** from a **Building Fund**.
- The religious body/school will be given an approval number from the IRB. The approval number and the amount of donation should be indicated on the receipt signed by an official from the religious body/ school. The donor can then claim a deduction in his tax return form and produce the receipt upon tax audit.
- Only cash donations will qualify for tax deduction, and the total deduction to be claimed in a year of assessment is restricted to 7% of aggregate income for an individual and 10% in respect of a company.
- The religious body/school has to be registered with a parent body e.g. council of churches, etc. and it must be a non-profit making body.

Donations made between 8 October 2011 and 31 December 2011

- Pending the amendment to the ITA, application can be made by the donor to the MOF (Tax Analysis Division) for approval for income tax deduction for year of assessment (YA) 2011.
- Donor needs to forward a copy of receipt stating amount of donation and acknowledgement from school/religious body official.

Donations made on or after 1 January 2012

- Donors can claim tax deduction under the self-assessment system (SAS) in accordance with the amendment to the Income Tax Act 1967 gazetted.

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e-CTIM No.43/2012

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