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MEDIA RELEASE
M+K LAWYERS

Macpherson + Kelley breakthrough sparks charity revolution

Law firm Macpherson + Kelley (M+K) has assisted one of its clients to establish a new philanthropic initiative that could revolutionise the way in which Australians and Australian businesses donate to charities and will save thousands of lives.

M+K's Tax + Revenue Principal, Peter Laverick said that Donors Without Borders had been established to encourage people or organisations to buy goods from Australian vendors, and then donate those goods to Australian charities which fight poverty and disease in developing countries. Instead of donating cash, much of which can be absorbed by admin fees or fundraising expenses, the donors decide which products to buy and to which participating charities to give them, ensuring 100% direct philanthropy.

The initiative has been set up to encourage participating vendors to offer attractive financial terms to donors which means that payments can be spread over several years at a very low interest rate. The income tax legislation makes it clear that taxpayers can claim tax deductions for goods purchased and then immediately donated. M+K has obtained a private ruling from the ATO in relation to this issue. In that ruling the ATO agrees that the donor who purchases goods on terms under the initiative can claim the full tax deduction upfront.

Peter Laverick explained: "Today you might make a donation to a charity using a credit card. Now it's up to you if you pay that off this week, next year or in a decade. But you still get the tax deduction from the charitable donation in the year you made the transaction."

"It's the same with Donors Without Borders – this private ruling makes it clear that the ATO recognises that donors to the initiative can claim the tax deduction upfront for the goods they donate. The key difference though is the terms that are available," he said.

"Most of us donating to charity using a credit card pay it off pretty quickly because of the high interest rates charged by most credit card companies. But the vendors involved in this initiative are being encouraged to offer really good terms in order to encourage people to buy products to hand over to charities."

"For example people might want to buy a \$1,000 water purifier or AIDS medicine from a vendor involved in the initiative, and then donate the goods to a charity – say, African Enterprise or ARMS" said Peter.

"For the vendors of the product this is a good way to get their products to a market that they might not otherwise reach – so they are prepared to offer good terms to the donor – say 10% down, and then the remainder paid off with a very very low interest rate over many years."

Peter Laverick explained that under the legislation, as reflected in the private ruling M+K had obtained for Donors Without Borders, the donor could claim a deduction for the full \$1,000 in the year in which the donation was made. Any tax refund received as a result of the donation could then be used however the donor wished. It could, for example, be donated to another charity, or used to establish a savings account which then could be used to pay off the balance of the original donation amount over the next ten years.

“We really think this opens up a whole new way for Australians and Australian businesses to engage in philanthropy in the future – and for once everyone benefits. The donor can make sizeable charitable donations and claim a tax deduction upfront; the vendors can find a way to get their products to a whole new market; and most importantly the charity gets the products to give to people in need.”

Spokespeople for Donors Without Borders, said: “We really appreciate M+K’s innovative support which has led to an opportunity for all Australians to make unprecedented gifts that will save the lives of millions of those less fortunate around the globe. This is a true marriage of commerce and philanthropy.”

M+K has worked closely with Donors Without Borders on the establishment of the local initiative. It first secured an ATO ruling which verified that receiving deductions for gifts in kind is not a financial, tax or investment "product". The second private ruling sets out the tax law as outlined in ITAA 97 namely that a tax deduction for the financed gifts-in-kind can be claimed immediately at their full purchase price even if the item is paid off over a long time period at near-zero interest.

For further details on the Donors Without Borders philanthropic initiative, or to make a donation, visit www.dwb.org.au

***NOTE TO EDITORS:** M+K Lawyers is a commercial law firm focussed on advising growing corporations around Australia. In business for 104 years and with more than 75 Lawyers, including 29 Principals, M+K has offices in Melbourne, Dandenong (Vic), Sydney and North Sydney. M+K's international experience is strengthened through its strategic affiliation with Multilaw, a global association of over 70 law firms worldwide providing clients access to Lawyers in the UK, Europe, Asia, USA and the sub-continent.*

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