

Tax Benefits Stimulating Philanthropy

Comparative research

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I. Introduction

A healthy and vibrant society is guaranteed by the respect of the fundamental freedoms of association and assembly and the existence of an enabling and inclusive legal and policy environment that allows for a culture of community activism, political engagement and volunteerism. One important element of a flourishing civil society is the environment for philanthropy. There are several ways in which governments can actively foster an enabling environment for philanthropy. Providing tax benefits for donations to civil society organisations (CSOs) is one of them. Therefore, the focus of this analysis is to review the existing mechanisms to stimulate philanthropy in several European countries and support the discussion around the development of an appropriate regulatory framework for tax benefits for donations in Ukraine.

There are various reasons why governments support philanthropy and specifically donations to CSOs. As a starting point – donations are an essential source of funding for many organisations that allow them to carry out their mission and achieve a certain level of financial independence. Financial independence of CSOs is a key element of the enabling environment for civil society. Therefore, tax incentives for donations to CSOs convey an important message – governments recognize the role of CSOs in addressing societal needs. Through tax benefits, they provide incentives that motivate channeling private funds for public benefit purposes which benefits society as a whole.

Research has shown that even though the existence of tax benefits is not the main incentive for donors to give, it may still influence the decision to donate and the amount given. Charities Aid Foundation conducted a global in-depth research by comparing tax incentive systems of 26 different countries worldwide. One of the main findings is that there is a positive correlation between tax incentives and donors: the existence of tax benefits is related to the amount of donations. There was also a positive correlation on the amount of donations – higher incentives generally lead to higher donations¹. This is why an enabling regulatory framework on tax benefits for donations is relevant for every country and has been recognized by various international and regional bodies.

Among others, the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association in its 2018 report recognized that an enabling legal framework for civil society includes “the possibility of tax-benefits”.² According to

¹ Charities Aid Foundation (CAF) - DONATION STATES An international comparison of the tax treatment of donations (May 2016), <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states>.

² OCHR. 'Report of the Special Rapporteur on the rights to freedom of peaceful assembly and association' A/73/279, 7 August 2018, available at: <http://undocs.org/A/73/279>, para. 20



the Council of Europe, CSOs “*should be assisted in the pursuit of their objectives through other forms of support, such as exemption from income and other taxes or duties ...*”³ Most states currently provide some type of tax benefits to CSOs.

The present analysis, developed by the European Center for Not-for-Profit Law Stichting (ECNL), describes European tax benefit regulations and good practices based on the regulatory tax incentives of the following selected European countries: Bulgaria, Croatia, Czechia, Germany, Hungary, Netherlands and Poland. These countries represent a wide variety of approaches across the EU member states and therefore provide good examples of the tax benefits provided to donors. The analysis aims to provide insight into how each system can be implemented and thereby provides a relevant comparison framework. The next section presents an overview of the types of tax benefits that the researched countries have and what they entail for both individuals and corporations (Section II). The analysis also addresses to what extent certain criteria apply (Section III), what procedures are in place to obtain these tax benefits (Section IV) and whether there are any special reporting requirements related to donations (Section V).

II. Types of tax benefits

There are different types of tax benefits that contribute to an enabling philanthropy environment. On the one hand, the donation recipients may be subject to tax on the income they have accumulated (that may also include the amount of the donations they have received). In the majority of the selected countries, when the recipient of the donation is a civil society organisation, the income from donations (and other non-profit sources) is exempt from income tax. That is why we will focus the analysis on the other types of possible taxes that may be levied on donations and the tax benefits that countries have provided. We will address the following types: the tax treatment of the donor (an individual or a corporate entity), the tax treatment of the transfer of donations (e.g. VAT) and the tax treatment of donations from legacies and inheritance (as they may be subject to a different tax). We also looked beyond the traditional tax incentives and identified various other tax benefits that aim to stimulate giving.

³ Council of Europe. Recommendation CM/Rec (2007)14 of the Committee of Ministers to member states on the legal status of non-governmental organisations in Europe, 10 October 2007, available at: <https://rm.coe.int/16807096b7>, para. 57.

What do we mean by donations?

Under the term donations we cover both monetary – giving money – and in-kind gifts that may include goods, services, or time. In principle, many countries include in-kind donations into the tax incentive for donations. In Germany, Czechia, Netherlands, Poland and Bulgaria this is the case for in-kind donations given by both individuals and corporations. In Croatia and Hungary in-kind donations given only by corporations are eligible for tax benefit, but not by individuals.

II. 1. Tax benefits for donors

There are three common ways of providing tax incentives to donors through their income taxes. One way is through a tax deduction mechanism. When a country uses tax deduction as an incentive, an individual is allowed to subtract all or part of the value of their donations from their income *before* they are taxed and thereby reduce the amount on which they pay tax. This is the case for all the European countries that are selected for this analysis.

Another type of tax benefit is tax credit, whereby an individual is allowed to deduct all or part of the value of their donations from the amount of tax that they owe, *after* this has been calculated. This approach is less common than direct deduction, but can be found in a few European countries, such as France and Spain. These are usually used in combination with a tax deduction mechanism.

Lastly, and most rarely, is the so-called grossed-up donation. With this donation incentive mechanism, an individual is allowed to empower a charity or other recipient to reclaim all or some of the tax paid on a donation so that it is effectively made gross of tax. This approach appears to be used only in the UK and Ireland.

II. 2 Value Added Tax (VAT): tax benefits for donations

An additional type of tax benefit by governments to donors can also be granted through value added tax (VAT) exemptions on the transfer of in-kind donations (as normally the donation of money is not covered by VAT). This can apply as a general rule without any limitations on the type of donations, such as in Hungary, where all donations supporting the public benefit activity of PBOs are *not* subject to VAT (if the donor disposes of the certificate of the beneficiary). Similarly, there could be a VAT exemption in the case of import of donated goods (e.g. Bulgaria) when they are donated to charitable or philanthropic organizations. Another example is Croatia, where the import of donated goods for the fulfilment of basic human needs—such as food, medicine, clothes, etc. is exempted from VAT. This is also the case for equipment donated by registered humanitarian and charity organizations.

In the case of in-kind donations, usually if the donor has claimed its VAT on the input (when purchasing/producing the good or delivering the service), then VAT on the output (the donation) needs to be paid (as someone has to pay the VAT on those goods/services as it was not paid on the input). One specific case is the donation of food for which there is a special treatment in Czechia and Bulgaria. In Bulgaria, there would be no output VAT on the food, if it is donated to a special category of CSOs called food banks and there are specific additional conditions for the donation. In Czechia, while output VAT is charged on the “market price” of the food donation, the market price could be zero or close to zero under certain conditions when food is donated.

At the same time, there are specific exemptions from VAT in specific areas for the provision of specific public benefit services (e.g. education, culture, social services, etc.). The exemption means that no VAT is charged to the beneficiary of the service (output VAT). However, in most cases, the exemption does not allow the provider to reclaim the VAT it has paid (input VAT). There is a special VAT exemption for CSO fundraising activities in the Netherlands and Bulgaria.

It is important that these exemptions are regulated clearly in law as it can cause confusion and make it more difficult to donate for donors. One concrete example of the importance of clear regulation of VAT on donations is the case of donations provided through short text messages (SMS). Such charitable SMS should be exempt from VAT unlike the regular mobile phone services as the mobile phone is just the mechanism through which the financial donation is made (so by definition the charitable SMS is a financial transaction that is normally outside of the scope of VAT). For example, Bulgaria does not have a specific provision exempting donations through charitable SMS. This created confusion and donations were also charged with VAT (and treated as a service offered by the mobile phone companies). As a result, tax authorities issued a guidance to ensure the law is not implemented in a wrong way and to ensure there is no VAT on charitable SMS. Similar situation has also existed in Czechia until the year 2005. In January 2006, an amendment to the Law on VAT came into force that resolved the confusion with treatment of charitable SMS as mobile phone service and ensured their exemption from VAT.

II. 3. Tax benefits for donations from legacies and inheritance

The EU countries selected for this analysis all provide some tax benefits to donations from legacies and inheritance. Most of these selected countries do so for all types of CSOs, as long as they are registered as public-benefit organisations. In Germany, for example, there is tax exemption for donations made to domestic foundations with exclusive qualified purposes. A complete removal of inheritance tax is granted if the inheritance is passed on to a public-benefit purpose foundation within two years of the succession. This means that if a donor donates their inheritance within two years after receiving, they will not have to pay inheritance tax. In the Netherlands, where the gift and inheritance tax is in principle paid by the beneficiary, no tax is due if the beneficiary is registered as a Public

Benefit Organisation (PBO). In Czechia, income from inheritance is tax free for all legal entities, including CSOs. In Hungary, foundations not obliged to pay Corporate Interest Tax (CIT) are exempt from duty on succession, on gifts, and on remunerated transfer of property⁴. A general tax exemption for public benefit CSOs as such is also the case in Poland and Bulgaria⁵. One exception in this regard is seen in Croatia where the tax exemption on this type of income only applies to humanitarian associations and the Red Cross. For all the other types of organisations, including those that are public benefit driven, the general tax rate of 4% on income from legacies and inheritance applies⁶.

There is also no threshold on the amount of the donation in order to be eligible for this type of tax benefit, except in Bulgaria⁷ and Croatia⁸. In Bulgaria, there is no tax on legacies below 250 000 BGN (125 000 EUR). This means that any organisation that receives *more* than this amount as inheritance/legacy will have to pay taxes as determined in Article 36 of the act on local taxes and charges. In Croatia, the tax benefit applies only if the legacy or inheritance is more than 50,000 Kunas (HKN) (~ €6,600). This means that if the amount of the donation is *less than* 50,000 Kunas (HKN), the general tax rate of 4% is still applicable, even if it is donated to a humanitarian association and the Red Cross.

II. 4. Other tax benefits

In trying to find new ways to support philanthropy, some European countries have introduced also other types of benefits e.g. the possibility to carry over large gifts to the following years. In the Netherlands, for example, there is a special incentive for the so-called periodic gifts. Periodic gifts are gifts which the donor is, by notarial or private gift deed, obliged to pay annually during at least five years while they are alive⁹. These gifts are fully deductible without a threshold and up to 100% of the income of a certain year. Also, if the periodic gift exceeds the income of a certain year, the remainder can be deducted in a following year. Another example of a similar benefit is in Germany, where exceeding amounts can be carried forward to future tax years without any limitations. In addition, an individual donor can deduct up to €1,000,000 for a donation to the endowment of a foundation with

⁴https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Hungary_2020LegalEnvironmentPhilanthropy.pdf, p. 11.

⁵[Local Taxes and Fees Act, art. 38, para 2a](#)

⁶https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Croatia_2020LegalEnvironmentPhilanthropy.pdf, p 19.

⁷https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Bulgaria_2020LegalEnvironmentPhilanthropy-1.pdf, p. 26-27.

⁸https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Croatia_2020LegalEnvironmentPhilanthropy.pdf, p 19.

⁹<https://www.belastingdienst.nl/wps/wcm/connect/nl/aftrek-en-kortingen/content/verschil-periodieke-giften-gewone-giften>

qualifying purposes. The deduction can be taken in the year of donation and/or divided over the following nine years. In Hungary there is a higher threshold for deducting donations if there is a donation agreement for at least three years (i.e. the monetary contribution is provided on the basis of an agreement between a public benefit organization and its donor wherein the donor undertakes to provide the donation in the subject year and at least once a year for at least three forthcoming years, in the same or larger amount, without any consideration). More concretely, the threshold is 40% of the amount of the donation made if there is a long-term contract instead of 20% if there is none.

III. Criteria to obtain tax benefits

III.1. Eligible organizations

In order to qualify for tax benefits, the donations to civil society organizations need to be given to a specific type of organisation. All the European countries selected for this analysis, with the exception of Czechia, require that the donation is granted to a publicly beneficial organization to receive a tax benefit. In Czechia there is no limitation on the type of organization but there is a requirement that the donation is provided for one of the causes enumerated in the Law on Income Taxes (some of the causes qualified for tax benefits include education, science, animal protection, humanitarian, ecological, social and charitable purposes, etc.).

In some countries, donations to certain *types* of public benefit causes are encouraged more by providing a higher tax deduction rate. For example, gifts to cultural entities in the Netherlands can be taken into account for between 125% (for individuals) and 150% (corporations). In Croatia, the tax-exempt percentage may be higher if there is a decision of the line ministry on financing particular programmes and actions.

Bulgaria has established a three-rate system with an exhaustive list of eligible causes and organisations. The three rates are 5% (10% for corporations), 15% and 50%. The first category (5-10%) includes Public Benefit Organisations and a number of other entities working in the areas of healthcare, education, housing and local authorities, among others. Donations in favour of culture receive 15% benefit. The third category (up to 50%) includes donations in favour of the National Health Insurance Fund, for activities related to the treatment of children funded by transfers from the budget of the Ministry of Health and/or the "Assisted Reproduction" Center.

III.2. Thresholds for Tax Benefits



All of the surveyed countries have introduced thresholds for the tax benefits for donations (see table below). The thresholds serve as a cap on the amount of donations for which tax benefits may be used. None of the selected countries allows donors to deduct 100 percent of their income/profit for donations made (except for periodic gifts in the Netherlands). It is important to also note that in the case of corporations, some countries require companies to have a profit (positive financial result) to be able to deduct donations.

Comparing the thresholds for tax benefits of the selected countries, the following relevant observations stand out. For one, some countries have the same amount of thresholds on tax exemption of donations from both individuals and corporations (Germany and Croatia), while other countries have different standards for each type of donor (Netherlands, Poland, Bulgaria, Czechia). Hungary is the only country that does not have tax benefits for individual donations. Secondly, in those countries that differentiate in the thresholds, corporations are allowed to deduct *more* from their tax base than individuals (the exception here being Czechia). In addition, some countries have an absolute amount either as a minimum and/or maximum of donations that need to be given in order to be eligible for tax benefits (Netherlands and Czechia).

Thresholds for tax benefits on donations given to CSOs

Countries	Individuals	Corporations
Netherlands	<p>Periodic gifts: no threshold and up to 100% of the tax base of a certain year</p> <p>All other gifts: deductible between 1% to 10% of the gross income, provided it is more than €60 in total.</p>	<p>Gifts are deductible up to a maximum of 50% of the profit with a maximum of €100,000.</p>
Croatia	<p>Up to 2% of their gross annual income in the preceding year.</p> <p>However, tax exempt percentage may be higher, pursuant to a decision of the line ministry on financing</p>	<p>Up to 2% of their gross annual income in the preceding year.</p> <p>However, tax exempt percentage may be higher, pursuant to a decision of the line ministry on financing particular programmes and actions.</p>



	<p>particular programmes and actions.</p> <p>No minimum ceiling on contribution.</p>	<p>No minimum ceiling on contribution.</p>
Czechia	<p>Donations are deductible up to 15% of the tax base, provided at least 2% of income is donated or not less than approximately €35.</p> <p>For the tax periods of 2020 and 2021, donations are deductible up to 30% of the tax base.</p>	<p>Donations are deductible up to 10% of the tax base. The value of each donation has to be at least equivalent to approximately €75.</p> <p>For the tax periods that ended between 1 March 2020 and 28 February 2022, donations are deductible up to 30% of the tax base.</p>
Bulgaria	<p>Donations to CSOs are deductible up to 5% of the annual income.</p>	<p>Donations are deductible up to 10 % of the annual positive financial result.</p>
Poland	<p>Donations up to 6% of income before tax are tax-deductible.</p> <p>No minimum ceiling on contribution.</p>	<p>Donations up to 10% of the taxable base.</p> <p>No minimum ceiling on contribution.</p>
Germany	<p>Donations are deductible up to 20% of yearly income.</p> <p>No minimum ceiling on contribution.</p>	<p>Donations are deductible up to 20% of yearly taxable income;</p> <p>OR</p> <p>0.4% of the sum of the turn-over and salaries.</p> <p>No minimum ceiling on contribution.</p>



<p>Hungary</p>	<p>No tax deductions for donations.</p>	<p>The pre-tax profit may be reduced</p> <ol style="list-style-type: none"> 1. by 20% of the donation if the donation supports the public benefit activity of a public benefit organization; 2. By 40% of the donation if provided to a public benefit organization under a long-term donation contract; 3. By 50 percent if the donation supports the Hungarian Relief Fund, National Cultural Fund, or the Damage Mitigation Fund; or 4. By 50 percent if the donation supports a higher education institution in the course of a grant agreement, <p>up to the amount of the pre-tax profit on the aggregate.</p>
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IV. Procedure to obtain tax benefits

The mere fact that there is a system for tax benefits for donations in a country does not necessarily mean that there is an effective incentive for giving in place. Procedures to obtain tax benefits can be seen as an indicator as to the extent to which incentives are actually supporting giving by both individuals and corporations. The less burdensome these procedures are, the easier it is for donors to give. Whereas on the other hand, a more burdensome procedure that involves many administrative requirements, high threshold for proof and other hurdles will make it more difficult for donors and might miss the purpose of motivating to give.



If the aim of a tax benefit system for donors is to stimulate more giving, the procedure to obtain the benefits should be as easy as possible.

It is therefore important that this analysis also pays attention to the different procedural elements of the different tax benefit systems in the selected European countries. These elements refer to when, how and with what documents individual and corporate donors can obtain tax benefits.

IV.1 Necessary documents

In all the European countries that are addressed in this analysis, the procedure for obtaining tax benefits on donations by individuals and corporations allows that the eligibility for tax benefits can be proven *after* the donation is made.

There are differences among the selected countries with regard to necessary documents in order to apply for tax benefits and the burden of proof. For periodic gifts in the Netherlands, for example, a notarial or private deed evidencing the gift must be available and for other gifts just a written proof of the donations (such as bank statements) suffices. It should be noted that this information only has to be provided upon a request of the Dutch tax authorities. As this is not required by default, this example seems to be the least burdensome procedure. Likewise, in-kind donations in Croatia are considered proven if the donor submits the receipt for the transfer of goods, delivery note or other credible supporting documents.

IV.2 Individual donors

Individuals that donate in Poland must file with their Personal Income Tax filing information on the amount of the donation. The donation can be deducted only if it was made via bank transfer. In the case of in-kind donations, the transfer must be certified by a document which specifies the value of the gift and acceptance of the gift by the beneficiary needs to be proven as well. In Bulgaria, the contract for the donation signed by donor and beneficiary, as well as a protocol for the accepted donation is required. Donors in Germany must file the contribution receipt issued by the foundation, which must comply with the official printed form provided by tax authorities. In Czechia, there is no official form for claiming tax deductions for donations. The taxpayer claims the donation in his/her annual tax return and attaches a proof from the recipient of the donation that contains following information: identification of the recipient, value of the donation, purpose and effective date of the donation.

IV.3 Corporate donors

As for corporate donors, Poland requires that a list of donations made in a given year (name of beneficiary institutions, amount of gift, address) must be filed with the annual Corporate Income Tax return and the proof of donating funds (copy of bank transfer) must be kept by the donor for up to 5 years in case it is required for tax control. Hungary has a more burdensome requirement for corporate donors. Here they must ask the beneficiary PBO to issue a certificate for tax purposes. The certificate must include the name of the issuer and the taxpayer, their registered offices, tax numbers, the amount of the donation and the objective supported. In Czechia, the proof of a donation for corporate donors is identical with the proof for individual donors.

V. Reporting requirements

This section of the analysis covers any reporting requirements for both the donor and recipient in the selected European countries. Even though reporting and disclosure requirements may promote the efficient use of funds and donations¹⁰, too burdensome reporting requirements can also negatively impact the flow of donations to a CSO. For example, if a donor needs to do too much additional reporting on the donations it has given, this can deter them from doing this too often. Also, if a CSO needs to spend a disproportionate part of its capacity and resources on reporting obligations instead of the publicly beneficial cause it tries to achieve, the intended effect of a donation might be unnecessarily minimized. This can give reason on the donor to not donate to such an organisation, thereby hindering the ability of a CSO to raise enough funds.

Another way that reporting requirements can have a negative impact on donation flow to CSOs is when CSOs have to report on their donations and donors to the government. Even though this can benefit the transparency of CSOs, if a beneficiary needs to report extensively on personal information of their donors, this can deter potential donors for privacy related reasons. It is for this and the reasons mentioned above that the international standards require that reporting requirements ought to be proportionate to the legitimate aim and do not violate the right to privacy of CSOs, their donors and beneficiaries.¹¹

None of the selected European countries has any extra reporting obligations for the donor other than their regular tax income statements when they would like to benefit from their country's tax incentives. In addition, Netherlands¹², Germany,

¹⁰ ECNL; 'The Regulatory Framework for Fundraising in Europe', 2017, available at: https://ecnl.org/sites/default/files/files/The-Regulatory-Framework-for-Fundraising-in-Europe_ECNL-research.pdf

¹¹ ECNL. "Principles for statutory regulation and self-regulation of fundraising", 2020, available at: <https://ecnl.org/sites/default/files/2020-08/Fundraising-Principles.pdf>.

¹² However, at the time of the writing of this analysis (March 2021) there is a draft Transparency act up for debate in parliament that aims to regulate additional reporting requirements for CSOs receiving donations from outside



Croatia and Czechia currently do not have additional reporting requirements for beneficiary CSOs either, except for general annual reports.

Three countries, however, do have additional reporting requirements on donors and/or donations. In Poland CSOs need to include a list of all corporate and institutional donors that donated a single gift of PLN 15,000 (~ €3,570) or more together with the annual tax return. They also have to report donations and gifts of a total value of PLN 35,000 (€8,330) or more annually. These lists have to include donors' addresses and should also be made public by the reporting CSO¹³. Similarly, in Bulgaria, public benefit CSOs are required to include in their annual reports information on the type, the amount, the value and the objectives of the donations received and granted, as well as information about the grantors¹⁴.

As for Hungary, in addition to their annual reports, CSOs are also obliged to report about what kind of donors have donated to them – such as the state, municipality, an international organisation or a business entity¹⁵. If the CSO receives at least HUF 7,200,000 (approximately €19,900) funding from abroad, it has special reporting obligations that prescribe certain registration, declaration and publication obligations¹⁶. Noteworthy is that on 18 June 2020 the European Court of Justice ruled that Hungary has introduced discriminatory and unjustified restrictions on foreign donations to CSO in breach of the EU law and the Charter of Fundamental Rights of the European Union¹⁷. Hungary has an obligation to amend the provisions in breach of EU law and the CFR or repeal the Law altogether.

VI. Conclusions

The analysis of the tax treatment of donations and donors in the countries included in the research shows several important trends. First, all but one (Hungary) of the

of Europe. See more on this law ECNL's overview of the key issues here: <https://ecnl.org/sites/default/files/2020-12/Overview%20of%20the%20Dutch%20Transparency%20Act.pdf>.

¹³https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Poland_2020LegalEnvironmentPhilanthropy.pdf, p. 12.

¹⁴https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Bulgaria_2020LegalEnvironmentPhilanthropy-1.pdf, p.13; art. 40 NPLEA.

¹⁵https://www.philanthropyadvocacy.eu/wp-content/uploads/2020/11/Hungary_2020LegalEnvironmentPhilanthropy.pdf, p.23.

¹⁶ Ibid.; Act No. LXXVI of 2017 on transparency of organisations supported from abroad.

¹⁷ Commission versus Hungary (2020), C 78/18, available at: <https://curia.europa.eu/juris/document/document.jsf?docid=227569&text=&dir=&doclang=EN&part=1&occ=first&mode=DOC&pageIndex=0&cid=8836956>. See more at: <https://ecnl.org/news/how-can-eu-law-safeguard-csos-access-funding-landmark-decision-0>. After the closure of the research (on May 18, 2021) the Parliament finally withdrew the Act on transparency of organisations supported from abroad with the adoption of the Act on the transparency of civil society organizations that carry out activities capable to influence public life (Act XLIX of 2021). On the other hand, the State Audit Office will annually prepare a summary report of those CSOs that have an annual budget above 20 million HUF (approximately €55,200).

studied countries provide tax incentives for both individual and corporate donors to CSOs. In the case of Hungary, however, individuals have the right to designate a CSO 1 % of the personal income tax they pay. The organizations that can benefit from tax deductible donations normally have to work in public benefit (have a public benefit status or support public benefit causes). The highest thresholds for deducting donations for individual donors are provided in Germany (20%) and Czechia (30% for the years 2020-2021). There are specific cases where this threshold is increased even more in order to stimulate long-term giving. For example, in Hungary the long-term donations are supported with double benefit. Similarly, in the Netherlands, for periodic gifts the deduction can reach 100 % of the income.

For corporate donations, the highest threshold exists in the Netherlands (50 % of the profit) but there is also an absolute maximum limit (€100,000) there. In Germany, the threshold is the same as for individuals (20 %).

In addition to the tax benefits for donors, countries also provide special benefits for legacies that are donated to CSOs. Some countries also ensure that donations to CSOs are not subject to VAT, especially donations in-kind or in the form of services (including charitable SMS).

In terms of reporting, no country requires donors to provide any additional information about the donations made (other than including the information in their tax declarations). In addition, only three of the surveyed countries require CSOs to provide specific information on the donations received (Bulgaria, Hungary and Poland) as part of their annual report.

Based on the above analysis, we hereby provide a checklist that can help to assess and plan the types of tax incentives that a state can provide to donors in support of philanthropy:

- Are there tax incentives (e.g. tax deduction for the donations made to CSOs) for both individual and corporate donors?
- Is the threshold for deducting donations from the income of companies/individuals sufficiently high (e.g. 10 % or more)?
- Is the procedure to use these benefits simple and not bureaucratic?
- Is the reporting requirement simple?
- Are there tax benefits for in-kind donations (e.g. donated food, computers, etc.) in addition to the incentives for monetary donations to CSOs?
- Is the procedure for proving the amount of the in-kind donation easy and simple?
- Is there an exemption from VAT for donations to CSOs (especially for in-kind donations from companies)?
- Is there a VAT exemption on charitable text messages (SMS) or donations through mobile phones?
- Are donations in the form of legacies/inheritance to CSOs exempt from tax?

- If a donation exceeds the annual threshold for deducting donations, is there a possibility to pass it to the following year?
- In order to support regular/periodic donations, does the country have higher benefits for regular donations?

Annex I. Overview relevant laws per country

Germany:

- Corporate Income Tax Law (*Körperschaftsteuergesetz*, BGBl. I. S. 817) of 1999, as amended, Sections 5(9) (exempt organizations) & 9 (deductions for donors) ([German](#))
- Corporate Income Tax Law implementing rules (*Körperschaftsteuer-Richtlinie*) ([German](#))
- Income Tax Law (*Einkommensteuergesetz*, BGBl. I S. 821) of 1997, as amended, Section 10(b) (tax incentives for individual donors) ([German](#))
- Income Tax Law implementing rules, *Einkommensteuer-Durchführungsverordnung* (BGBl. I S. 717) & *Einkommensteuer-Richtlinien* ([German](#))
- Inheritance and Gift Tax Law of 1997 (*Erbschaftsteuer- und Schenkungsteuergesetz* BGBl. I S. 378), Sections 13 & 29 (tax exemptions) ([German](#))
- Value Added Tax Law (*Umsatzsteuergesetz*) of 1999 ([German](#))

Czechia:

- Civil code ([English](#)), ([Czech](#))
- Business Corporations Act ([English](#)), ([Czech](#))
- Act on Income Tax ("Income Tax Law"), No. 586/1992 ([Czech](#))
- Act on Value Added Tax ("VAT Law"), No. 235/2004, in the text of the Act on Changes of Tax Laws, No. 344/2013 ([Czech](#))

Croatia:

- Law on Profit Tax, Official Gazette No. 177/2004, 90/2005, 57/2006, 146/2008, 80/2010, 22/2012, 148/2013, 143/2014, 50/2016, 115/2016, 106/2018, 121/2019, 32/2020
- Law on VAT, Official Gazette No. 73/2013, 99/2013, 148/2013, 153/2013, 143/2014, 115/2016, 106/2018, 121/2019
- Law on Personal Income Tax, Official Gazette No. 115/2016, 106/2018, 121/2019, 32/202

Hungary:

- Act CXXVI/1996 on the Use of Specified Amount of Personal Income Tax in Accordance with the Taxpayer's Instruction
- Act LXXXI/1996 on Corporate Tax and Dividend Tax
- [Act CXXVII/2007](#) on Value Added Tax



Poland:

- Corporate Income Tax (CIT) ([English](#))
- Personal Income Tax (PIT) ([English](#))
- Value Added Tax (VAT) ([English](#))
- Act on the amendment of the Act on Personal Income Tax, Act on Corporate Income Tax and selected other Acts – Journal of Laws No. 209, Item 1316
- Law on Flat-Rate Income Tax
- VAT Law
- Act on the amendment of the Act on the Value Added Tax and selected other Acts – Journal of Laws No. 209, Item 1320

Bulgaria:

- Corporate Income tax Act ([English](#))
- Personal Income Tax Act ([English](#)) ([Bulgarian](#))
- Local Taxes and Fees Act ([English](#))
- Law on Non-Profit legal entities ([Bulgarian](#))
- Value Added Tax Law ([English](#))

Netherlands:

- Collective Tax Law (*Fiscale Verzamelwet*) ([Dutch](#))
- Income tax Law (*Wet Inkomstenbelasting*) ([Dutch](#))
- Corporate Income tax Act (*Wet op de vennootschapsbelasting*) 1969 ([Dutch](#))



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