

## **FACTSHEET: International Development & Tax Deductibility**

Internally in The Salvation Army, it is common to hear people refer to donations to our 'community work' as being tax-deductible and donations to our 'spiritual/evangelistic work' as being non-tax-deductible.

For International Development, the reality is a bit more complex. In particular, we need to recognise that there are many types of community work, and that not all types of community work are eligible for tax-deductible funding.

In order to be tax-deductible, international development and humanitarian activities must meet a range of criteria, including but not limited to the following:

- The country benefitting from the aid must be listed on the Australian Government's list of developing countries
- There should be no unfair bias towards a particular person, race, religion or culture
- Local people must have a say in how the activity is run and how the funds are used
- The aid must have sustainable or lasting benefits, so that even if the aid ceases the community will remain better off
- There must be an 'exit strategy' that explains how the Australian organisation will phase-out its financial support over time to avoid creating or fostering dependency on overseas aid

There are alternate guidelines for providing immediate assistance during a humanitarian crisis (such as earthquake or flood), but it is still essential that the organisation develops an 'exit strategy' so that the community being helped recovers its own capacity and resilience, and does not become dependent on overseas aid.

These requirements are enforced by the Australian Government Department of Foreign Affairs and Trade (DFAT). You can read the full list of requirements by visiting <http://dfat.gov.au/about-us/publications/Documents/oagds-guidelines.pdf>

### **What does this mean for The Salvation Army?**

With a presence in over 120 countries, The Salvation Army offers many opportunities for Australians to make a positive impact on the world.

Some of these opportunities allow tax-deductible donations, but there are also many important and life-changing needs that fall outside the tax-deductible guidelines.

All donations to support evangelical work, including supporting the running costs of places of worship or supporting ministers of religion, are considered ineligible for tax-deductibility by DFAT. The Salvation Army has tremendous overseas needs in this area which you can choose to support financially, but without receiving a tax-deductible receipt.

In addition, providing direct support to schools, hospitals and residential care facilities can also fall outside of the tax-deductibility guidelines. If these centres make ongoing use of Australian donations for their day-to-day operational expenses then they don't satisfy the criteria of sustained and lasting benefits, because if the aid ceased then the current activities of the centre would not be sustainable.

These guidelines are not just about taxation laws – they have been created because they reflect best-practice in the international development community. That's why we endeavour, wherever possible, to partner with Salvation Army schools and hospitals to run community development projects that will build their internal capacity and reduce their dependency on overseas aid funding.

Sometimes this is not possible, and in these instances we rely on donors to provide non-tax-deductible donations so that these vital and life-saving centres and services can continue to operate.