



## **Submission to the Commission on Taxation by Philanthropy Ireland (May 2008)**

### **Introduction**

Philanthropy Ireland is the Association of Grant Making Trusts, Foundations and Corporations in Ireland and collectively its members disburse and invest over €60 million each year in a variety of causes. Philanthropy Ireland was established as the Funders Forum in 1998, as a voluntary and informal network. In 2004 it was incorporated as a company limited by guarantee and its name was changed to Philanthropy Ireland. It currently has over 20 members (the full list is given on the website [philanthropy.ie](http://philanthropy.ie)) including Atlantic Philanthropies, the Ireland Funds, the Community Foundation, the Irish Youth Foundation, Vodafone Foundation, the Katherine Howard Foundation, St Stephen's Green Trust, Carnegie UK Trust, Joseph Rowntree Charitable Trust and Social Entrepreneurs Ireland.

The mission of Philanthropy Ireland is to represent, develop and inspire an effective and robust philanthropic sector in Ireland. It is currently engaged in a three year work programme which is co funded by the Department of Community, Rural and Gaeltacht Affairs, to foster the development of Philanthropy and to support the role and practice of charitable trusts and foundations in Ireland.

### **Philanthropy in Ireland**

Ireland has experienced a transformation in its economic performance over the past 10 years. From a record 18.5% average unemployment rate in the early 1990s, it now has a 5.5% rate; it has shifted from high emigration to net immigration; it has the second highest level of expendable income in the European Union and is widely recognized as one of the best performing economies in the EU and indeed the world. Sustained periods of economic growth have led to increased indigenous wealth. There are now 30,000 millionaires in Ireland, and current household wealth is estimated to €1 trillion. Yet, there has not been a commensurate rise in philanthropic giving in Ireland.

Responsive philanthropy in Ireland is high – among the top 5 in the world on a per capita basis in responding to international crises such as the famines in Africa and the Tsunami disaster. However, planned giving is less established. There are few trusts and foundations, and the scale of the independent grant making sector (comprising charitable trusts and foundations) remains small relative to other comparable jurisdictions. It is equally true that the practice of giving back to society by those with a real capacity to do so (individuals and corporations) is relatively low, despite the creation of enormous wealth.

It is estimated that foundations and trusts contribute approximately 2 – 3% of overall funding to the non profit sector in the U.S. and Europe. In Ireland, although accurate data are not available this figure is estimated to be somewhere between 1 – 2%.

Fully reliable information as to the scale and nature of philanthropic activity in the State is not currently available. In late 2006, the Government established the Forum on Philanthropy to promote a philanthropic culture and an encouraging environment for philanthropy in Ireland. The Forum is chaired by the Secretary General of the Department of the Taoiseach and includes representatives from the Department of Finance and the Department of Community, Rural and Gaeltacht Affairs, Philanthropy Ireland and a number of other philanthropic organisations.

Earlier this year, it was agreed to undertake research to determine the baseline from which the advancement of philanthropy in Ireland in the future can be measured, as well as providing an objective basis for informing the development of policy on philanthropy and for possible interventions by Government or the private philanthropic sector. Philanthropy Ireland has commissioned Prospectus Consulting to undertake this baseline research (on behalf of the Forum on Philanthropy) and it is anticipated that it will be complete by July 2008, providing much needed information on the scale of philanthropy in Ireland.

### **The relevance of tax in promoting philanthropy**

Philanthropy Ireland and the Irish Charities Tax Research Ltd. are currently commissioning an independent report into how tax and regulatory instruments could be used to incentivise greater philanthropy in Ireland. Philanthropy is still at an early stage of development and the two organisations are committed to ensuring that there is an encouraging environment for philanthropy in Ireland.

Irish and international research indicate that whilst tax and fiscal incentives are not the main motivator to giving (with factors such as belief in the cause, family, religion and community being most influential<sup>1</sup>), they are critical in ensuring that there is an encouraging environment for giving and also directly influence how much money/resources people give and how they give. Tax incentives are also particularly important in the context of major gifts.

The forthcoming research will consider a number of areas, including:

- Providing a succinct overview of the current position in regard to relevant fiscal and regulatory provisions in relation to giving in Ireland (including but not confined to income tax, corporate donations, special provisions in relation to the arts, sport, education, overseas aid, etc)
- Advising on relevant instruments in other jurisdictions (with particular reference to the UK, recent changes in German legislation and relevant instruments from the US, for example charitable remainder trusts)
- Identifying incentives which could be introduced in an Irish context and to provide an indication of costs and benefits to the state arising from same
- Indicating what legislative/regulatory changes would be required to introduce such provisions in Ireland

This research will be available before the end of 2008. On foot of these findings, the two organisations will be in a position to put forward specific proposals for change and to

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<sup>1</sup> Why rich people give; Theresa Lloyd (2004)

provide information on costs and benefits (or “pros and cons”), and statistical or other research data underlying the proposal, as requested by the Commission.

Notwithstanding this forthcoming research, Philanthropy Ireland wishes to note one particular proposal for change which refers to the Inclusion of S848A Tax Relief Scheme on Donations to Approved Bodies in list of Tax Relief Schemes subject to the restrictions imposed by S485C in the Finance Acts.

Philanthropy Ireland does not believe that donations to approved charitable bodies (where there is no direct personal gain) should be treated in the same way as tax relief schemes that give relief on investments from which the investor will subsequently personally gain.

In terms of relevance, this measure can be considered in the light of the first point in the stated terms of reference, namely:

*“consider how best the tax system can support the economic activity and promote increased employment and prosperity while providing the resources necessary to meet the cost of public services and other Government outlays in the medium and longer term”*

Philanthropy Ireland believes there is a need to encourage greater philanthropic investment in society to help tackle poverty and disadvantage in areas such as education and health. Increased private philanthropy would also help address a variety of other needs across Irish society, including much needed investment in arts, culture, universities and the environment. Tax incentives have proven to be an effective way of encouraging other areas of under investment in Irish society in the past.

## **Conclusion**

Forthcoming research will provide much needed data on philanthropy in Ireland (Forum on Philanthropy Baseline research to be available by July 2008 and joint Philanthropy Ireland/Irish Charities Tax Research Ltd. research on tax and regulatory instruments to be available by year end). Philanthropy Ireland considers that the Commission on taxation should consider philanthropy as part of its remit, given the potential social and economic benefits which could accrue from increased philanthropic spending/investment in Ireland.

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