

“DONATIONS UP VIA TAX RELIEF”

ENGLISH SUMMARY

Private charity donations should be encouraged by making donations tax deductible, according to a report published by EVA. The report maintains that the ceiling per recipient for tax-deductible donations by corporations should be raised significantly. It is also suggested that the tax deductibility of donations should be extended from corporations to other forms of enterprises. Furthermore, it should be considered whether tax deductibility should also be expanded to include private individuals.

The encouragement of private donations via tax relief is justified because public funds are inadequate to meet all of the society's diverse and ever growing needs. As a supplement to public funds, private donations would increase resources for science, art and culture and improve the flexibility of financing for non-profit organisations functioning in assorted segments of society and cultural life.

The report emphasises that in a diverse society it is not prudent for all support to be channelled via the general government budget and distributed merely via the political system. Pluralism and diversity are best promoted when financing coming from many sources.

Contrary to the case in Finland, most Western European countries' legislation encourages donations. Besides Finland, the tax deductibility of donations by private persons is lacking only in Sweden and Spain. The tax deductibility of donations by corporations is limited more tightly than in Finland only in Sweden.

There is currently no ceiling for corporations to deduct donations intended to preserve Finnish cultural heritage. Donations to promote science and art can be deducted up to 25,000 euros per recipient. The recipient of the donation can be the Finnish government, a Finnish university or Finnish organization, institution or foundation designated by the tax authorities.

In the report it is deemed likely that the low ceiling per recipient for deductibility of donations reduces the total amount of donations. In Great Britain, where there are no ceilings per recipient on donations by corporations, large companies have donated 0.5-0.6 per cent of their profits before taxes for charitable purposes. In Finland the corresponding share would enable the funding of 50 permanent professorships.

Companies can deduct their sponsorship costs as a marketing expense, the same as research and development costs related directly to their business. On the other hand, the report points out that company support for basic research, which creates the basis for the next generations of products and services, is not ordinarily deductible as an expense.

The tax exempt status of donations is addressed in the report from many perspectives. Prof. Paavo Hohti starts off the report with his introduction, Minister Kalevi Kivistö tells why cultural life should be supported, Prof. Matti Myrsky provides a survey of the history of legislation and current challenges and Timo Nikinmaa from ETLA evaluates the support for non-profit organisation via volunteer work and monetary donations.