

Some options for giving to the Naremburn Cammeray Anglican Church Parish Ministry Centre Project

Message from Parish Council

Thank you for prayerfully considering your contribution to the Naremburn Cammeray Parish Ministry Centre (PMC). This document is designed to give you an overview of some giving options to spark a few ideas for how you may contribute to the project.

Please note that this paper sets out some examples for contributions to the PMC Project. This paper is not intended to provide any financial or taxation advice. Parish Council is neither qualified nor licensed to do so. You should seek your own professional financial and/or taxation advice about the implications for you of making a contribution to the PMC. Although we have tried to make this paper helpful for people as they consider their options for giving to the Project, you should not rely on the accuracy of any statement or calculation in the paper, nor do we accept any liability for them.

Example One

John and Jane wish to give \$100,000 before tax. They have this money in savings and are happy to donate it in the first year.

John and Jane are a double income family. John expects to have taxable income of \$160,000 per annum. Jane expects to have taxable income of \$100,000 per annum.

In order to claim the maximum deduction John determines to give \$75,000 and Jane gives \$25,000. The table below shows the tax before and after the donation

	John			Jane		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Salary	160,000	160,000	160,000	100,000	100,000	100,000
Raw tax	52,350	52,350	52,350	27,850	27,850	27,850
After Tax Salary	107,650	107,650	107,650	72,150	72,150	72,150
Contribution	75,000			25,000		
After Donation Salary	85,000	160,000	160,000	75,000	100,000	100,000
Revised Tax	21,850	52,350	52,350	17,850	27,850	27,850
Revised After Tax Salary	63,150	107,650	107,650	57,150	72,150	72,150
Tax Benefit	30,500	-	-	10,000	-	-
Total Giving Unit Benefit	40,500					
Net Cost	59,500					

Example Two

Joe and Frieda wish to give \$15,000 over 3 years, in three equal installments.

Joe expects to have taxable income of \$50,000 per annum while Frieda expects to have taxable income of \$20,000 per annum.

The tax deduction is maximised if the donation is made in Joe's name. The following table contains the calculations.

	Joe			Freida		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Salary	60,000	60,000	60,000	20,000	20,000	20,000
Raw tax	13,350	13,350	13,350	2,100	2,100	2,100
After Tax Salary	46,650	46,650	46,650	17,900	17,900	17,900
Contribution	5,000	5,000	5,000			
After Donation Salary	55,000	55,000	55,000	20,000	20,000	20,000
Revised Tax	11,850	11,850	11,850	2,100	2,100	2,100
Revised After Tax Salary	43,150	43,150	43,150	17,900	17,900	17,900
Tax Benefit	1,500	1,500	1,500	-	-	-
Total Giving Unit Benefit	4,500					
Net Cost	10,500					

Example Three

Mary has decided that she will contribute \$60,000 over 3 years. Mary expects to have taxable income of \$100,000 per annum.

Mary has access to \$33,000 in savings which she is willing to give in the first year. In the second year, she donates the tax benefit from the first year's donation. She does this again in year 3, bringing her total donation to \$50,000.

The following table outlines how this works.

Mary			
	Year 1	Year 2	Year 3
Salary	100,000	100,000	100,000
Raw tax	27,850	27,850	27,850
After Tax Salary	72,150	72,150	72,150
Contribution	33,000	12,400	4,960
After Donation Salary	67,000	87,600	85,040
Revised Tax	15,450	22,890	25,866
Revised After Tax Salary	51,550	64,710	69,174
Tax Benefit	12,400	4,960	1,984
Total Giving Unit Benefit	19,344		
Net Cost	31,016		

Give the Year 1 tax saving in Year 2

Example Four – Drawdown on Mortgage

In this example Bob and Sally would like to give \$150,000 over the next three years. They do not have the funds available, however, they believe that they will be able to draw down some additional funds from their mortgage. Bob and Sally are also happy to donate the tax deduction benefit that they receive from their donation in each of the three years.

In this example Bob and Sally are able to redraw \$90,000 from their mortgage. Bob is the sole income earner and expects to have \$200,000 taxable income per annum. Bob and Sally have determined that they will draw down \$30,000 each year and supplement the remainder by donating the tax benefit.

Please note that if you undertake this option you will be subject to interest charges by your bank that are not tax deductible.

Bob				
	Year 1	Year 2	Year 3	Year 4
Salary	200,000	200,000	200,000	200,000
Raw tax	70,350	70,350	70,350	70,350
After Tax Salary	129,650	129,650	129,650	129,650
Donation	30,000	30,000	30,000	
Tax Benefit		13,500	19,575	22,309
Total Contribution	30,000	43,500	49,575	22,309
After Donation Salary	170,000	156,500	150,425	177,691
Revised Tax	56,850	50,775	48,041	60,311
Revised After Tax Salary	113,150	105,725	102,384	117,380
Tax Benefit	13,500	19,575	22,309	10,039
Total Giving Unit Benefit	65,423			
Net Cost excluding Interest	79,961			

Current Tax Rates as at February 2007

Taxable income	Tax on this income
\$0 – \$6,000	Nil
\$6,001 – \$25,000	15c for each \$1 over \$6,000
\$25,001 – \$75,000	\$2,850 plus 30c for each \$1 over \$25,000
\$75,001 – \$150,000	\$17,850 plus 40c for each \$1 over \$75,000
Over \$150,000	\$47,850 plus 45c for each \$1 over \$150,000

The above table excludes the Medicare Levy which may add up to an additional 2.5% of taxable income, depending on a range of circumstances.