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By PwC Deutschland | 31 March 2011

Extended deduction for Japan donations

The finance ministry has issued a decree on extended deduction provisions for donations, sponsoring and other support given to the victims of the natural and nuclear disasters in Japan.

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The finance ministry has instructed tax offices in a decree to be more lenient than usual in allowing taxpayers a deduction for their donations and other measures in support of those hit by the recent earthquake, tsunami and nuclear disaster in Japan. In particular:

- All sponsoring costs are to be allowed as business expenses, provided some business benefit is recognisable for the sponsor. This benefit can be indirect, such as when it lies in the image value of favourable reports on the sponsorship in the media.
- ll support given to business partner disaster victims, and all support given in kind to other business disaster victims is to be deductible as a business expense without regard for the prohibition on the deduction of gifts.
- rants-in-aid of up to €600 given to employees affected by the disasters are deductible for the employer and tax-free for the employee.
- age waivers in favour of group employees affected or for a donation by the employer are not taxable as income. However, the wage not claimed remains subject to social security contributions.
- he donation deduction for disaster relief is not dependent on a formal receipt. Proof of payment to a domestic body entitled to receive charitable donations for forwarding to the relevant relief agencies is sufficient. This proof can, for example, be furnished in the form of a bank statement or paying-in slip.
- he decree applies from March 11 to December 31, 2011. There are no corresponding VAT benefits.

Keywords

Japan relief, disaster