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Donations to EU charities deductible

The finance ministry has called on tax offices to follow the ECJ Persche case on donations to EU charities, provided the taxpayer shows that the charity would have qualified as such in Germany.

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In January 2009, the ECJ held it to be an unwarranted restriction on the freedom of capital movement to disallow donations to charities registered in other member states, without giving the taxpayer the opportunity of showing that the recipient met the qualifying conditions for German relief other than German residence (case C-318/07 Persche, judgment of January 27, 2009). The finance ministry has now issued a decree calling on tax offices to follow this judgment and allow relief for charitable donations in other member states, provided the recipient organisation would have qualified as a charity, had it been registered in Germany.

As the decree points out, German charities must be altruistic and devote themselves to serving the public interest, the needy or the church. The conditions must be met, both in theory and in practice. The taxpayer should demonstrate this with suitable documents. Suitable documents include the charter (statutes), activity reports, income and expenditure account (or receipts and payments account), balance sheet (or statement of assets showing the movements to and from reserves), schedules of receipts and their application to the charitable purpose, and committee minutes.

Keywords

charities, donations