

## INTERNATIONAL NEWS

### Australia

1. The Queensland Government announced in June 2006 that, as part of its ongoing review of the Associations Incorporation Act, it intended to introduce legislation in Parliament by the end of 2006 to remove the need for small nonprofit associations to have their annual accounts audited and to take out mandatory public liability insurance. Associations with annual gross income and current assets of \$20,000 or less would be able to self-certify the accuracy of their accounts submitted to the Office of Fair Trading, and those with income or assets between \$20,000 and \$100,000 will have to have their accounts prepared in accordance with good accounting practice and certified by a registered accountant.

(Office of Fair Trading Media Release 21st June 2006, [www.fairtrading.qld.gov.au](http://www.fairtrading.qld.gov.au))

2. The federal Government introduced six new categories of deductible gift recipient (charities eligible to receive gifts that entitle the donor to an income tax deduction) with effect from 1st July 2006:

- scholarship funds;
- funds for the relief of Australian disasters;
- animal welfare charities;
- charities providing health promotion or harm prevention services;
- war memorial repair funds; and
- funds for the relief of disasters in developed countries.

(The Tax Laws Amendment (2006 Measures No. 3) Act 2006, 30th June 2006)

3. The 2006-07 Budget included the following measures intended to promote philanthropy:

- a new income tax deduction for donations of listed shares owned for more than 12 months and valued at \$5,000 or less to a deductible gift recipient (DGR). However, the donor will remain potentially liable to capital gains tax on any capital gain or able to claim any capital loss arising on the gift;
- an extension of the Commissioner of taxation's powers to review DGRs to ensure that their activities are consistent with the purposes that qualified them for their DGR listing; and
- a removal of the requirement for DGRs to maintain separate gift funds for each DGR listing.

These measures will take effect from the first income tax year (starting 1st July) after the date of Royal Assent to the enabling legislation.

(Minister for Revenue press release No. 019, 9th May 2006; Australian Taxation Office Non-Profit News Service No. 0141, 17th May 2006, [www.ato.gov.au](http://www.ato.gov.au))

## **Canada**

1. The Federal Minister of Finance presented the federal Budget on 2nd May 2006. The proposals include the reduction of the capital gains inclusion rate from 25% to nil on donations of listed shares and securities to charitable organisations and public (but not private) foundations and donations of ecologically sensitive land under the Ecological Gift Program for all donations after 1st May 2006.

(Canadian 2006 Federal Budget Released, Ernst & Young International Tax Alert, 5th May 2006)

2. The Canada Revenue Agency (CRA) issued the final version of its guidance on the public benefit test in March 2006 following consultation on the July 2005 draft. The guidance largely restates the nature of the test under the common law of England & Wales, including the rebuttable presumption of public benefit currently applicable to the first three heads of charity listed in the *Pemsel* case.

(Guidelines for Registering a Charity: Meeting the Public Benefit Test, Charities Policy Statement CPS-024, Canada Revenue Agency, 10th March 2006, [www.cra-arc.gc.ca/tax/charities/policy/cps-024-e.html](http://www.cra-arc.gc.ca/tax/charities/policy/cps-024-e.html))

3. The British Columbia Law Institute has announced a new project to consider reform of British Columbia's non-profit incorporation statute, the Society Act (R.S.B.C. 1996, c.433).

Three main developments have brought about the need for reform: the Society Act is no longer in harmony with the legislation governing for-profit companies in British Columbia; many rules and procedures in the Society act do not meet the needs of the nonprofit sector; and there is a need to respond to developments in nonprofit legislation elsewhere in Canada at both the provincial and federal level. It is intended to publish a consultation paper in April 2007 with the ultimate aim of issuing a final report including draft legislation in August 2008.

(Society Act Reform Project, British Columbia Law Institute Media Release 2nd August 2006, [www.bcli.org](http://www.bcli.org))

## **Europe**

1. The European Commission has now decided to challenge the current regime. The Commission has sent the United Kingdom a formal request to end discrimination against foreign charities. The request is in the form of a 'reasoned opinion' under Article 226 of the EC Treaty. If the UK does not reply satisfactorily to the reasoned opinion within two months the Commission may refer the matter to the European Court of Justice. The Commission argues that the difference in treatment between gifts made to charities in the UK and charities in other Member States constitutes an obstacle to the free movement of capital. Cross-border gifts are explicitly mentioned in Council Directive 88/361/EEC, which provides for a Community definition of capital movements. In the opinion of the Commission the discrimination is also contrary to the free movement of persons, as workers and self employed persons moving to the UK might wish to make gifts to charities established in the Member State they came from. Finally, it contends that the rules are contrary to the freedom of establishment, as foreign charities are forced to set up branches in the UK in order to benefit from the favourable tax treatment. As regards the concern of the UK tax authorities that they would like to check whether the assets and income of charities in other Member States are only used for charitable purposes, the Commission comments that the UK can ask for assistance of the Member States where the charities are established on the basis of the Mutual Assistance Directive (77/799/EEC). The Commission subsequently sent to Ireland and Poland a reasoned opinion challenging the corresponding legislation in these Member States on the same basis.

(European Commission press releases IP/06/964 and IP/06/1408, 10th July 2006 and 17th October 2006)

2. The European Commission Internal Market Directorate General completed a consultation in the first half of 2006 on the future priorities concerning modernisation of company law and corporate governance in the EU. One third of the submissions were received from foundations supporting the case for the development of a European Foundation Statute. The European Foundation Centre and a group of legal researchers sponsored by the Bertelsmann Foundation have published proposals to the Commission for an EC legal instrument of this kind, which have been presented to the Commission. The Commission will now decide on the launch of a feasibility study on these proposals.

(European Foundation Centre Communiqué, 20th September 2006; “Consultation on future priorities for the Action Plan on Modernising Company Law and Enhancing Corporate Governance in the European Union”, European Commission, 21st December 2005)

3. On 30th November 2005 the European Commission adopted a Communication on “The Prevention of and Fight against Terrorist Financing through enhanced national level coordination and greater transparency of the non-profit sector, including a Recommendation to the Member States”. Through this document the Commission encourages Member States to strengthen their fight against the financing of terrorism and provides new guidelines addressing national level coordination and information exchange structures and vulnerabilities of the non-profit sector to terrorist financing and other criminal abuse. The Communication has been sent to the Council of Ministers, the European Parliament and the Economic and Social Committee.

The Commission has looked at Member State coordination and information exchange practices and has produced a set of “best practices”. Examples of areas identified include:

- a national framework comprising all ministries and agencies engaged in counter terrorist financing work to promote confidence building, understanding and trust;
- a dedicated counter terrorist financing unit within the Financial Intelligence Unit facilitating closer coordination with terrorism experts in law enforcement and other agencies;
- a national body dedicated to providing financial investigation expertise to all terrorist (and other serious criminal) investigations undertaken by law enforcement services to ensure that the financial aspects of criminal activity are fully exploited in all criminal investigations.

It is hoped that best practices identified in this Communication will form a basis for further discussion in this area – possibly in the context of Member States' Peer Evaluation of national anti-terrorist arrangements.

Following the request of the Financial Action Task Force, the EU Counter Terrorist Financing Strategy and the European Council Conclusions of December 2004, the Commission addresses in its Communication the prevention of and fight against misuse of non-profit organisations for terrorist financing purposes. The Commission adopted a Recommendation to Member States and a Framework for a Code of Conduct for non-profit organisations that should enhance donor confidence, encourage more giving, while preventing or at least reducing the risk of criminal abuse. As a follow-up to the Communication, the Commission will ensure further dialogue with the non-profit sector. This will include setting up an informal contact group and the organisation of a conference with representatives of the non-profit sector and other relevant stakeholders during the course of 2006 to find a common understanding of this complex and sensitive issue.

(European Commission Press Release MEMO/05/460, 1st December 2005)

4. The European Commission announced in July 2005 that it had approved certain cultural support schemes in Denmark, Hungary and Poland under the EC Treaty state aid rules. The Danish scheme allows taxpayers to deduct from their taxable income donations to support non-commercial activities of qualifying cultural institutions. The Hungarian and Polish schemes provide public subsidies to private individuals, or non-economic activities of local authorities, associations and churches promoting national heritage on a nonprofit basis.

(European Commission press release IP/05/979, 20th July 2005)

5. In January 2006 the European Commission Directorate-General for Research published a report by an expert group on measures to promote the role of foundations and the non-profit sector in boosting investment in research and development. The recommendations include the creation of a more beneficial fiscal and regulatory environment for foundations. The Commission subsequently convened a conference in March 2006 to discuss the report's findings. It is intended to set up a "Philanthropy for Research" Forum later in 2006 to facilitate the sharing of experience and the development of joint initiatives in this field.

("Giving more for research in Europe", European Commission, January 2006, [www.europa.eu.int/invest-in-research/index\\_en.htm](http://www.europa.eu.int/invest-in-research/index_en.htm))

6. The Transnational Giving Europe (TGE) network of intermediary charities has announced that two new charities have joined the existing network of five charities representing Belgium, France, Germany, Netherlands and the UK: the Foundation for Poland and the Community Foundation for Ireland. The value of cross-border donations handled by the TGE network has increased steadily since its launch in 2002 to a value of EUR 1.4 million in 2005.

(Giving in Europe News Release September 2006, [www.givingineurope.org](http://www.givingineurope.org))

## **Guernsey**

1. The States of Guernsey established a Trust Working Party to consider the scope for improving trust law and introducing a civil law style foundation. The working party produced an interim report for consultation in September 2005 and a final report in March 2006. The recommendations of the final report included:

- the amendment of the Trusts (Guernsey) Law 1989 to permit the use of non-charitable purpose trusts without any limit on their duration; and
- inviting Alderney and Sark to extend the application of the trust law to those islands.

They also recommended the drafting of a new law governing the establishment of foundations which should then be issued for consultation. It is envisaged that Guernsey foundations would have similar features to those proposed for adoption in Jersey (for details see CL&PR Vol. 8 No. 3 [2005] pp. 69-70).

(“Review of Trust Law in Guernsey”, Trust Working Party Final Report, 14th March 2006)

## **International**

1. A joint project to create a harmonised legal framework for unincorporated nonprofit associations in North America has been launched by the National Conference of Commissioners on Uniform State Laws (NCCUSL), the Uniform Law Conference of Canada (ULCC) and the Mexican Center of Uniform Law (MCUL). The project will address divergences between the common law and the civil law systems used in Mexico and Quebec, and will consider issues concerning the relationship of the association to third parties (e.g. entity status, ability to sue and be sued, title to property, limited liability), issues concerning the relationship of members to the association and each other, and other issues such as formation,

dissolution, conversion and mergers of associations. The project intends to follow the methodology used by NCCUSL in the development of its uniform acts. Once the principles concerning the content and structure of the legal framework are agreed, the work will move on to drafting the model law in English with a view ultimately to developing three national drafts of legislation intended to implement the agreed principles.

(National Conference of Commissioners on Uniform State Laws Unincorporated Nonprofit Committee, March 2006, [www.nccusl.org](http://www.nccusl.org))

2. The World Customs Organization (WCO) has announced that the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures adopted on 30th June 1999 entered into force on 3rd February 2006 and now has 50 contracting parties (including the European Community) representing almost 80% of international trade. Chapter 5 of Specific Annex J to the Convention provides for simplified and expedited procedures for customs clearance of relief consignments. Relief consignments are defined as goods of prime necessity forwarded as aid to those affected by disaster, and goods required by disaster relief personnel in order to perform their duties and support them in living and working in the territory of the disaster throughout the duration of their mission. The Convention also includes as “Recommended Practice” the waiver of any export duties and taxes on relief consignments and the exemption from import duties and taxes of relief consignments received as gifts by approved organizations for use by or under the control of such organizations or for distribution free of charge by them or under their control.

(World Customs Organization Press Releases, 4th November 2005, 6th February 2006 and 3rd August 2006, [www.wcoomd.org](http://www.wcoomd.org) )

3. The Association of Southeast Asian Nations (ASEAN) concluded an agreement on disaster management and emergency response in July 2005. The agreement aims to provide effective mechanisms to reduce disaster losses and to jointly respond to disaster emergencies. The agreement provides, inter alia, that an “assisting entity” (defined as a state, international organization or any other entity or person rendering assistance in the event of a disaster emergency to a party requesting or accepting such assistance in the event of a disaster emergency) shall be granted exemption from taxes, duties and other similar charges on the importation and use of equipment including vehicles and telecommunications facilities and materials in the territory of that party for the purpose of the assistance. The agreement will enter into force on the 60<sup>th</sup> day after the deposit of the tenth instrument of ratification

(ASEAN Agreement on Disaster Management and Emergency Response, 26th July 2005, [www.aseansec.org/17587.htm](http://www.aseansec.org/17587.htm))

4. The Financial Action Task Force has published an interpretative note to its Special Recommendation VIII on measures to counter the use of non-profit organisations for terrorist financing. The note considers that an effective approach to combating the misuse of non-profits involves all four of the following elements: outreach to the non-profit sector concerning terrorist financing issues; supervision or monitoring of the non-profit sector; effective information gathering and investigation; and effective capacity to respond to international requests for information about individual non-profit organisations.

(“Interpretative Note to Special Recommendation VIII: Non-Profit Organisations”, Financial Action Task Force, February 2006, [www.fatf-gafi.org](http://www.fatf-gafi.org))

## **Ireland**

1. The Department of Community, Rural and Gaeltacht Affairs published draft framework legislation for the proposed charity law reform in March 2006. The proposals, which largely follow those canvassed in the December 2003 consultation “Establishing a modern statutory framework for charities”, include:

- the introduction of a statutory definition of charity by way of codification of the existing interpretation of the law;
- replacing the Board of the Commissioners of Charitable Donations and Bequests with the Irish Regulatory Authority for Charities, an independent statutory body with functions similar to those of the Charity Commission in England and Wales, as the centrepiece of a modern regulatory framework;
- creating a public register of charities with mandatory registration for all charities, including foreign charities operating or fundraising within Ireland;
- empowering the regulator to take action to ensure compliance with the new framework;
- providing for appeals to a Charity Appeals Board against decisions of the regulator; and
- codifying the law relating to the duties of charity trustees, and regulating trustee eligibility and trustee remuneration.



The proposed new categories of charitable purposes include:

- the advancement of community welfare and social inclusion;
- the advancement of community development including rural or urban regeneration;
- the advancement of human rights, social justice, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- the advancement of the natural environment;
- the promotion of peace; and
- the promotion of good community relations.

The proposed bill will also modernise the regulation of charitable fundraising.

(“General Scheme for the Charities Regulation Bill”, Department of Community, Rural and Gaeltacht Affairs, 9th March 2006, [www.pobail.ie](http://www.pobail.ie))

2. The Law Reform Commission issued a consultation paper on legal structures for charities in January 2006. The paper included a recommendation for the creation of a new legal entity, the Charitable Incorporated Organisation (CIO), as an additional option for charities that wish to incorporate. It is envisaged that the CIO would operate in a similar manner to the CIO structure proposed for England & Wales. The Commission also considered that the need for a separate legal vehicle for community interest groups in Ireland required further consideration.

(“Legal structures for charities”, Law Reform Commission Consultation Paper LRC CP38-2005, January 2006, [www.lawreform.ie](http://www.lawreform.ie))

3. The Minister for Justice, Equality and Law Reform announced in August 2006 that the Government intends to introduce legislation to permit the variation of a trust where it will benefit the beneficiaries, including the variation of charitable trusts. It is expected that the legislation will be introduced as a Committee Stage amendment to the Civil Law (Miscellaneous Provisions) Bill, which is currently before the Dail.

(Department of Justice, Equality and Law Reform Press Release 22nd August 2006)

4. The Department of Finance published a series of reports of its internal review of various tax incentive schemes, including tax relief for charitable donations, in February 2006. The report concluded that it was too early to assess the significance of the tax reliefs for donations in improving the financial situation of charities, and that the structure of the incentives should be retained in its current form for the time being.

(Budget 2006: Review of Tax Schemes, Department of Finance, February 2006)

5. The Finance Act 2006 extended income tax relief for charitable donations to include gifts of listed shares and debentures listed on a recognised stock exchange with effect from 1st January 2006; however, where income tax relief for such gifts is claimed, the normal exemption of any capital gain arising on the gift will not be available. The Act also restricts the aggregate amount of specified reliefs that higher income taxpayers (those with annual income over EUR 250,000) can use to reduce their taxable income in any one year to 50% of taxable income with effect from 1st January 2007. The list of specified reliefs covers most of the statutory tax incentive schemes, including income tax relief for donations to certain charities and sports bodies.

(Finance Act, 2006)

6. The Department of Community, Rural and Gaeltacht Affairs has contracted Irish Charities Tax Research Ltd. to carry out research into charitable fundraising and make recommendations on how it can be effectively regulated through codes of good practice. It is envisaged that a feasibility study will be conducted during October-December 2006 on the development of the new codes in consultation with the charitable sector, the general public and public funding bodies. Initial proposals will be developed early in 2007 and, following a further public consultation, these proposals will be finalised and presented to the Department in June 2007.

(Irish Charities Tax Research, [www.ictr.ie](http://www.ictr.ie))

## **Jersey**

1. The Trusts (Amendment No. 4) (Jersey) Law 2006 was adopted by the States of Jersey on 25th April 2006 and approved by the Privy Council on 10th October 2006. The new law amends the Trusts (Jersey) Law 1984 in several respects which affect only Jersey trusts. The 100 year limit on the duration of non-charitable trusts is replaced with a provision for indefinite duration unless the terms of the trust provide otherwise. The law also gives the court the power, on

application by the trustees to the Attorney General, to declare that the assets of a charitable or non-charitable purpose trust will be held for other purposes consistent with the original intention of the settlor. The law entered into force on 27th October 2006.

(Trusts (Amendment No. 4) (Jersey) Law 2006, 25th April 2006)

## **New Zealand**

1. The Charities Commission has announced that the new Charities Register will open to receive applications on 1st February 2007. Existing charities will need to register by 1st July 2008 to maintain their current exemptions from income tax and gift duty. Groups of organizations can apply for a single group registration if they can satisfy the Commission that the group should be treated as a single entity. Amateur sports organizations qualify for a separate income tax exemption and do not therefore need to register with the Commission to preserve their entitlement to this exemption.

(Charities Act Commencement Order 2006, 25th September 2006; Charities Commission Update Issue 11 - June 2006 and Issue 14 - September 2006, [www.charities.govt.nz](http://www.charities.govt.nz))

2. The Inland Revenue Department (IRD) has issued an exposure draft outlining the interaction between the charity tax rules and the Charities Act 2005. Comments were invited by 30th September 2006. Registration with the Charities Commission will be sufficient to secure exemption from tax on non-business income, but is not in itself sufficient to exempt business income. Charities will continue to be required to self-assess the extent to which their business income meets the requirements for exemption from income tax – namely, that the income is applied to charitable purposes within New Zealand and that no person with some control over the business is able to direct or divert income derived from the business to their benefit. Applications for donee status (eligibility to receive tax relieved gifts) will continue to be approved by IRD, but newly registered charities will not need to apply separately to IRD for donee status since the Charities Commission will forward to IRD the relevant information provided with the application for registration.

(“Interaction of tax and charities rules covering tax exemption and donee status”, Inland Revenue Department Exposure Draft ED 0088, June 2006)

## **Singapore**

1. The Government announced a new regulatory framework for charities in June 2006 following its review of the recommendations made in the report of 9 March 2006 by the Inter-Ministry Committee (IMC) on the Regulation of Charities and the report of 20th May 2005 by the Council on Governance of Institutions of a Public Character (CGIPCs). IPCs are charities authorised to receive tax deductible donations. The recommendations, which took effect from 1st July 2006, include:

- increased disclosure requirements concerning conflicts of interest, related party transactions, agreements with commercial participators, and fundraising expenses;
- requiring large IPCs with annual income over Singapore \$10 million to comply with Financial Reporting Standards;
- encouraging IPCs to follow the voluntary “Guide to best practices for IPCs”;
- limiting the initial grant of IPC status to new applicants to a period of two years, subject to review by the Central Fund Administrators (CFAs);
- renewing the status of existing IPCs for a period between one and five years, depending on the effectiveness of the IPC’s governance and management;
- requiring CFAs to disclose publicly the names of IPCs which have their status withdrawn.

The office of the Commissioner of Charities (COC) has been transferred from the Ministry of Finance (MOF) to the Ministry of Community Development, Youth and Sports (MCYS) with effect from 1st September 2006. The MCYS is setting up a Charity Council comprising representatives of the charity sector to advise the COC on regulations and standards for good governance. Six Sector Administrators, which will replace the eleven CFAs appointed by the MOF, will assist the COC to oversee charities and IPCs in the relevant sectors (education, health, arts and heritage, social services, community and youth, and sports). Charities and IPCs falling outside these sectors will be regulated directly by the COC.

(Ministry of Community Development, Youth and Sports Media Releases, 9th March 2006, 30th June 2006 and 1st September 2006, <http://app.mcys.gov.sg>)

2. The Institute of Certified Public Accountants of Singapore (ICPAS) issued an Exposure Draft of a Revised Statement of Recommended Accounting Practice 6 (RAP6) on charity accounting and reporting in June 2005 after consultation with the Council on Governance of Institutions of a Public Character (CGIPCs). Following public consultation, ICPAS issued the revised RAP6 in December 2005, which is effective for annual periods starting on or after 1st January 2006. Compliance with RAP6 is recommended but not mandatory. Charities with gross annual income or expenditure threshold over Singapore \$5,000,000 are the subject of more detailed disclosure guidelines. The content of RAP6 is substantially based on the Statement of Recommended Practice (Revised 2005) (SORP) issued by the Charity Commission for England and Wales.

(“Accounting and Reporting by Charities”, Revised Statement of Recommended Accounting Practice 6, Institute of Certified Public Accountants of Singapore Media Release 5th December 2005, [www.accountants.org.sg](http://www.accountants.org.sg))

## USA

1. In July 2006 the National Conference of Commissioners on Uniform State Laws (NCCUSL) approved a new model statute, the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA is intended to replace the Uniform Management of Institutional Funds Act (UMIFA), which dates back to 1972 and has since been adopted by 48 states, in order to update the law governing charitable institutions in line with modern investment practice. UPMIFA applies generally to nonprofit corporations and unincorporated associations established for charitable purposes; it also applies to charitable trusts but only if a charity acts as trustee, i.e. commercial trustees are excluded.

UPMIFA adopts the prudence standard for investment decisions, but also expressly provides for diversification of assets, pooling of assets and total return investment. It applies generally to investment funds held by charitable organizations, but not to board-designated endowment funds. The rules governing expenditure from endowment funds are significantly modified to give charity boards more flexibility in coping with fluctuations in the value of the endowment. The old rule that institutions were not allowed to spend asset appreciation below the historic dollar value of all contributions to the fund has been replaced with an optional rule that presumes expenditure exceeding 7% of total return to be imprudent; excess spending is not automatically illegal but the burden of showing that the spending is prudent lies with the charity. Another optional rule would require any institution with endowment funds of less than a specified amount to notify the state attorney general if it planned to spend the endowment down below the fund's historic dollar value.

UPMIFA also requires an institution to comply with donor-imposed restrictions only if they are committed to writing. For small funds where the donor is no longer alive, UPMIFA allows an institution to modify restrictions that are at least 20 years old, subject to giving prior notification to the state attorney general.

(Uniform Prudent Management of Institutional Funds Act, National Conference of Commissioners on Uniform State Laws news release 13th July 2006, [www.nccusl.org](http://www.nccusl.org))

2. The U.S. Senate Committee on Finance held a hearing on nonprofit hospital provision of care to the poor and services to the community in September 2006. The Committee had previously sent a detailed list of questions to some of the largest hospitals about their activities in this area. The Committee expressed concern that hospitals are not obliged to provide information of this kind to the Internal Revenue Service (IRS) and that there are no uniform standards for charity care and community benefit.

(U.S. Senate Committee on Finance hearing, 13th September 2006, <http://finance.senate.gov/sitepages/hearing091306.htm>)

3. The US Department of Treasury issued revised anti-terrorist financing guidelines in December 2005. The guidelines cover both grantmaking and corporate governance practices, and recommend detailed procedures that charities should follow when providing assistance to domestic and foreign organizations to minimize the risk that charitable resources will be inadvertently diverted to support terrorism. The revised guidelines are less burdensome for charities than the original guidance issued in November 2002, but most of the recommended procedures remain essentially the same or similar.

(“Anti-Terrorist Financing Guidelines: Voluntary Best Practices for US Based Charities”, Department of Treasury, December 2005, [www.treasury.gov/offices/enforcement/key-issues/protecting/docs/guidelines\\_charities.pdf](http://www.treasury.gov/offices/enforcement/key-issues/protecting/docs/guidelines_charities.pdf))

4. The Pension Protection Act of 2006, which was signed into law on 17th August 2006, includes several measures intended to improve and curb perceived abuses of charity tax reliefs. The new measures, most of which have immediate effect, include:

- allowing individuals aged over 70.5 years to direct distribution of up to \$100,000 p.a. from an individual retirement account to an eligible charity on a tax neutral basis (the distribution is neither taxable nor deductible);

- increasing the deduction limit for qualified conservation contributions to an environmental organization from 30% to 50% of adjusted gross income, and allowing excess deductions to be carried forward for up to 15 years;
- requiring charities that accept gifts of appreciated tangible property to report any disposal of the asset within 3 years after the gift;
- restricting the scope for donor advised funds to engage in transactions with donors or related parties;
- relieving rent, royalties or interest received by a tax exempt organization from a controlled taxable subsidiary from unrelated business income tax; and
- requiring organizations that are currently exempt from filing IRS Form 990 to register with the IRS on an annual basis to support continued qualification for tax exempt status.

The Act also empowers the IRS to disclose information about proposed or actual federal tax deficiencies or revocation of tax exempt status to state attorney generals.

(Pension Protection Act of 2006, H.R. 4, 17th August 2006)