

Heart Foundation of Barbados("HFB")

Tax Incentives for making Donations to HFB (Individuals)

Tax Legislation:

HFB is a registered charity in Barbados

The Income Tax Act permits individuals who make donations to registered charities a deduction from the assessable income.

Amounts contributed of less than BBD 1 Million to HFB are allowed as a deduction, subject to an upper limit of 10 % of assessable income

Individuals who choose to make their donations via a "Deed of Covenant" may be able to take the tax savings at source in the payroll

Example of the tax savings for an Individual donating \$ 6,000

	<u>BEFORE</u>	<u>AFTER</u>
Gross Income	100,000	100,000
Less: Personal Allowances	(25,000)	(25,000)
Less : Charitable deduction		(6,000) *
Taxable Income	<u>75,000</u>	<u>69,000</u>
Taxes Payable:		
On first \$ 35,000 @ 16 %	(5,600)	(5,600)
On Balance @ 33.5 %	<u>(13,400)</u>	<u>(11,390)</u>
Total Taxes	<u>(19,000)</u>	<u>(16,990)</u>
Tax savings		(2,010)

* Tax deduction restricted to 10 % of assessable income = \$ 100,000 * 10 % = \$ 10,000

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Amounts contributed of more than BBD 1 Million to HFB are allowed as a deduction, subject to the following conditions:

- (a) amount of deduction to be taken over 5 years, and
- (b) the deduction in any income year shall not exceed 50 % of assessable income

Example of the tax savings for an Individual donating \$		1,200,000
	<u>BEFORE</u>	<u>AFTER</u>
Gross Income	6,000,000	6,000,000
Less: Personal Allowances	(25,000)	(25,000)
Less : Charitable deduction		(240,000) *
Taxable Income	<u>5,975,000</u>	<u>5,735,000</u>
Taxes Payable:		
On first \$ 35,000 @ 16 %	(5,600)	(5,600)
On Balance @ 33.5 %	<u>(1,989,900)</u>	<u>(1,909,500)</u>
Total Taxes	<u>(1,995,500)</u>	<u>(1,915,100)</u>
Tax savings		(80,400)
* Tax deduction restricted to 50 % of assessable income subject to :		
* Amount that can be deducted each year over 5 years =		240,000
* Upper Limit of deduction in each year is restricted to 50 % assessable income		3,000,000

Heart Foundation of Barbados("HFB")

Tax Incentives for making Donations to HFB (Corporations)

Tax Legislation:

HFB is a registered charity in Barbados

The Income Tax Act permits Corporations who make donations to registered charities a deduction in arriving at the income subject to taxation

There is no limit to the amount of the deduction.

Example of the tax savings for a Corporation donating		\$ 500,000.00
	<u>BEFORE</u>	<u>AFTER</u>
Income subject to tax	10,000,000	10,000,000
Less : Charitable deduction		(500,000)
Taxable Income	<u>10,000,000</u>	<u>9,500,000</u>
Taxes Payable:		
Income tax @ 25 % =	(2,500,000)	(2,375,000)
Total Taxes	<u>(2,500,000)</u>	<u>(2,375,000)</u>
Tax savings		(125,000)

Example of the tax savings for a Corporation donating		\$ 500,000.00
	<u>BEFORE</u>	<u>AFTER</u>
Tax Loss before deductions	(200,000)	(200,000)
Less : Charitable deduction		(500,000)
Taxable Loss	<u>(200,000)</u>	<u>(700,000)</u>
Taxes Payable:		
Income tax @ 25 % =	0	0
Total Taxes	<u>0</u>	<u>0</u>
Tax savings		0
Tax Loss Carried Forward to offset against future year income		(700,000)

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Tax Incentives for making Donations to HFB (Offshore IBC)

Tax Legislation:

HFB is a registered charity in Barbados
The Income Tax Act permits Corporations who make donations to registered charities a deduction in arriving at the income subject to taxation
There is no limit to the amount of the deduction.

Example of the tax savings for a Corporation donating		\$ 500,000.00
	<u>BEFORE</u>	<u>AFTER</u>
Income subject to tax	10,000,000	10,000,000
Less : Charitable deduction		(500,000)
Taxable Income	<u>10,000,000</u>	<u>9,500,000</u>
Taxes Payable:		
Income tax @ 2.5 %	(250,000)	(237,500)
Total Taxes	<u>(250,000)</u>	<u>(237,500)</u>
Tax savings		(12,500)