

Promotion of the inflow of the cross-border donations from other European Union member states (into Latvia)

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The aim of this article is to analyse whether it is possible that the European Union could establish a system where countries (including Latvia) could attract more cross-border charitable contributions from other European Union member states.

1. The importance of charitable organisations cannot be underestimated. Most of the countries have its policy regarding charitable contributions, tax reliefs, as well as regulation of charitable organisations that operate in certain areas approved by the state.
2. Charity has always been an issue in countries where governments leave certain fields to private initiatives either because of the lack of funding or insufficient knowledge of the area concerned. In this case charitable organisations have plenty of work. Over the decades, this sector has developed both from the point of view of the needs of society and in terms of the legislation that regulates the field.
3. Most charities are established either as associations or foundations. They are part of the non-governmental organisation sector that plays a big role in the economics and politics of many countries. It is fair to say that it clearly demonstrates the relationship between a country's government and its civic society, covering two main issues:
 - a) admitting areas of action exist where the government has insufficient resources or knowledge to operate efficiently, but still sees the area as a priority for the purposes of public benefit;
 - b) letting charitable organisations fill the gap by laying down a framework of legal conditions that foster the input of money and attraction of donations to these areas, mainly by awarding donors tax deductions for charitable contributions.
4. Latvia is one of the countries in the European Union, where the imbalance between financial resources and the need for help is obvious. As a result, various associations and foundations have been established and operate in order to meet the needs of inhabitants as far as possible. In order to regulate philanthropy, the government has laid down a legislative framework that regulates charitable organisations.
5. In Latvia, there are over 2,400 charitable organisations with public benefit status that are seeking financial support for their activities. Since the number of these organisations is remarkable in comparison to companies that are able and willing to make charitable contributions to any of these organisations, it is true to say that with rare exceptions, this area is underfinanced.
6. In addition to the legislative framework, the state (states) awards charitable organisations public benefit organisation status if the organisation in question operates in a certain area that corresponds to the state's priorities, e.g., culture, education, and welfare. This area usually is financed by charitable contributions; where public benefit organisation status gives the organisation in question the opportunity to attract donations more effectively. However, in different EU Member States various approaches exist in regard to definition of the areas, which are treated as being of public benefit.
7. As this article is aimed to finding out the options and limitations for cross-border tax exempt donations within the European Union, the question of synchronisation of terms like "charity" and the "public benefit" among local corporate income tax laws arises. Here, not only law, but articles and studies would play a big role, since this issue relates to social, political and even philosophical topics.
8. European Union law regulates certain areas that are stipulated in the treaties. All other areas remain subject to the local competence of Member states. Even though European Union law does not regulate direct taxes, there are several ways how this could be done in order to promote cross-border donations within the European Union Single Market, which is one of the basic principles of the European Union.
9. The Single Market policy and the freedom of capital movement within the Single Market of the European Union constitute a huge advantage that could be used to foster cross-border money transactions that are made as charitable contributions.
10. Currently, with existing cross-country activities in different fields within the European Union, the question of cross-border tax deductible donations for charities or so-called public benefit organisations also arises. Today, cross-border donations have become part of the daily routine. Regulation should follow the real situation.
11. However, money laundering and tax evasion issues still exist within the field of operation of charitable organisations. It would be helpful if detailed reports on spending of charitable contributions were required from the supervising authorities also about the spendings in other country than where the charitable organisation is registered.
12. If governments (in Latvia in particular) consider charitable organisations and their international activities risky, it should provide a platform for exchanging information on charities and their operations between Member States thus rising transparency rather than creating obstacles for the NGO sector's operations as such. Moreover, if the aforementioned platform were to be implemented, it could also be applied to charitable contributions to all the European Union member states.
13. Similarly to other taxes, it would be helpful if the information exchange between the Member states were made easier, i.e., automatically provided or by request. A common tax-deductible donation system would be a great support to all European Union member states.
14. The author focuses on several countries chosen in order to analyse their respective corporate income tax policies and tax-deductible charitable contributions made to charities registered in another Member State.

