Press Release

CHANGES TO 30/70 FUND-RAISING RULE TO FACILITATE FUND-RAISING EFFORTS

The rule for computing the 30/70 fund-raising efficiency ratio, commonly known as the "30/70 rule", for charities and institutions of a public character (IPCs) will be revised. The revised rule will apply to fund-raising events for charities and IPCs whose financial year ends after 31 March 2008. These changes to the 30/70 rule will facilitate fund-raising efforts of charities and IPCs without compromising the principle that the costs of fund-raising should not exceed 30% of the total funds raised.

Changes to 30/70 Rule

2. These changes were made taking into account feedback from the charity sector and the Charity Council's advice. The changes are:

a. ***"Sponsorship" in the fund-raising efficiency ratio will be re-defined to refer only to cash sponsorships and in-kind sponsorships where tax deduction receipts are issued.*** Non-tax deductible in-kind sponsorships such as the cost of jewellery donated for a charity auction need not be included. Nonetheless, information on all sponsorships received by a charity or an IPC conducting public fund-raising should still be separately disclosed in its financial statements for transparency and accountability.

b. ***For fund-raising done via sale of merchandise, only the net proceeds i.e. the gross amount received from sale of merchandise less cost of relevant goods, will be treated as receipts.*** The cost of merchandise need not be included as part of fund-raising expenses. In this way, charities and IPCs will not need to raise the price of their merchandise to an unrealistic level in order to meet the 30/70 rule. This will help them to attract more donors who would be able to purchase the merchandise at more competitive prices.

How Changes Will Facilitate Fund-Raising Efforts

3. Two examples are given below to illustrate how these changes will help facilitate fund-raising efforts:

a. ***Example on Sponsorship*:** An IPC conducted a charity auction to raise funds with donors sponsoring jewellery items worth $100,000 in market value. Total proceeds from the auction were $150,000 while the direct fund-raising expenses such as cost of venue, food and event management were $10,000. Based on the old computation, the fund-raising efficiency ratio would be 44%[1], which exceeds the 30% limit under the regulations. With the revised rule, the efficiency ratio would now be only about 7%[2].

b. ***Example on Sale of Merchandise*****:** A charity raised funds by selling T-shirts with some public education slogans printed on them. There was no sponsorship. The T-shirts were procured at a cost of $30,000 and the total sale proceeds were $60,000 while direct fund-raising expenses such as marketing materials and rental of venue were $6,000. The fund-raising efficiency ratio based on the old computation is 60%[3]. Based on the new computation however, the ratio is only 20%[4] which meets the 30/70 rule.

Amendments to Charities Regulations

4. In view of the changes to the 30/70 rule, the Charities (Institutions of a Public Character) Regulations and the Charities (Fund-Raising Appeals) Regulations will be amended accordingly. The amended regulations can be found on the Charity Portal (www.charities.gov.sg) by 1 April 2008.

FOR REFERENCE:

30/70 Fund-Raising Efficiency Ratio – The fund-raising efficiency ratio is the total fund-raising and sponsorship expenses of a charity or an IPC to the total gross receipts from fund-raising and sponsorships of the charity or IPC for that financial year. According to the regulations, all charities and IPCs are expected to keep their fund-raising efficiency ratio below 30%, which is commonly known as the 30/70 rule.

The formula is given below:

$(E + S)/ (R + S) \times 100\% \leq 30\%$

*where **E** refers to the total expenses relating to fund-raising; **R** refers to the total gross receipts from fund-raising, other than receipts from sponsorships; and **S** refers to the total cost or value of sponsored goods and services relating to fund-raising.*

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[1] Using the old computation, E is $10,000; R is $150,000; S is $100,000. Hence, [10,000 + 100,000] / [150,000 + 100,000] * 100% = 44%.
[2] Using the new computation, E is $10,000; R is $150,000; S is $0 because the non-tax deductible in-kind sponsorship of jewellery need not be included now. Hence, [10,000 / 150,000] * 100% = 6.7%.
[3] Based on the old computation, E is ($30,000 + $6,000 = $36,000); R is $60,000; S is $0. Hence, [36,000 / 60,000] * 100% = 60%.
[4] Using the new computation, E is $6,000; R is ($60,000 - $30,000 = $30,000); S is $0. Hence, [6,000 / 30,000] * 100% = 20%.