

Abstract for review

European Research Network On Philanthropy
8th International Conference Copenhagen, July 13-14, 2017

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Percentage designations assessed: redistribution and the idea of the school of philanthropy

Assessment of the tax percentage allocation systems in Europe

Reference:	48441081
Number of authors:	2
Keywords:	percentage giving, 1 % philanthropy, Central and Eastern Europe, road to private philanthropy
Topic:	Cross-country studies of philanthropy
Theme of abstract:	
Research method:	Quantitative
Geographical focus:	Multiple countries (European)
Type of article:	Policy review

Abstract:

The subject of the “Assessment of the Impact of the Percentage Tax Designations: Past, Present, Future” study is the percentage tax designation system as a phenomenon in the nexus of public finance allocation, public benefit/civil society realm, philanthropy and taxation. Its focus on Europe, especially on Central and Eastern Europe (CEE), where the system has remained to be a popular policy instrument over twenty years.

This research had been completed in five CEE countries that use the percentage tax designation system: Hungary, Lithuania, Poland, Romania and Slovakia. It focused on four areas: 1) The percentage tax designation system as a policy instrument 2) What is its role in funding of the non-profit sector, 3) What are the effects and side effects of this policy, e.g. can it be considered to be a “school of philanthropy” 4) What is the assessment of this given policy instrument?

The percentage mechanism was met with enthusiasm in the transitional phase of post-communist CEE. It has offered a unique way of providing financial support to public benefit, mostly not-for-profit entities based on the decision of the individuals and has often been called wrongly as “percentage philanthropy”. In reality it works as a decentralised decision making mechanism

where state resources, namely certain percentages of the income tax, are channelled, mostly to not-for-profit organizations (as well as other public and private entities with (mostly) public benefit purposes), based on the decision of the taxpayers and therefore reflecting the societal needs as perceived by taxpayers.

While this system is often referred to as "percentage philanthy", it is not as the resources used are not private resources.

The percentage mechanism has been noted as an important source of revenue to many organizations that is estimated to have provided around € 5 billion support to a variety of beneficiaries in Europe over the years. Still, this source is a small portion of the overall revenues of the non-profit sectors (around 2%). It can not be proven if it has been a school of philanthropy, but at least it has not crowded out private philanthropy, as some worried, especially that incentives for individual private giving have lessened in most countries after the introduction of the percentage tax designation system.

The system continues to operate in all countries and it is found to be used in new ways i

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