

TAX EFFECTIVE GIVING

A Missed Opportunity for Fundraisers

It is estimated that charities are missing out on as much as £600 million each year, without making the most of tax effective giving.

The main tax effective giving methods for individual donors include Gift Aid, payroll giving, share giving and legacies.

Gift Aid

How does it work?

So long as you are a UK taxpayer, Gift Aid enables you to boost the value of your donations by as much as 25p for every £1 you give to your favourite charity. So, for example, if you decide to donate £10 to a charity, then that charity will be able to claim an additional £2.50 from HM Revenue and Customs. It might not sound like a lot, but every penny really does count! What is more, if you are a higher-rate taxpayer you are entitled to claim tax relief on your donations, enabling you to reclaim as much as 25p from every £1 donated to a charity.

Eligibility for Gift Aid

In order for charities to claim Gift Aid the donor must:

- pay enough UK income and/or capital gains tax to cover the amount of tax the charity will reclaim
- confirm this with a Gift Aid declaration
- state that it is for a single donation, or for gifts over a specified period, or all future donations
- decide if they want to backdate past donations for up to six years

Simple, easy-to-use templates to help you with this process are available at the link below www.tax-effective-giving.org.uk

Further information

The Institute of Fundraising's Tax Effective Giving helpline 0845 458 4586

Making Giving Go Further Guide to Tax Effective Giving available on their website www.institute-of-fundraising.org.uk

Payroll Giving

Payroll giving allows people to make an automatic donation to the charity of their choice direct from their pay packet. The company makes the deduction before tax and other deductions are calculated, so they do not pay tax on the income they have chosen to give. For example:

- £10.00 pledge
- cost to donor paying 22% tax = £7.80
- cost to donor paying 40% tax = £6.00

Therefore, for a basic rate taxpayer wanting to give a £10.00 donation, it will only cost £7.80 or just £6.00 for higher rate taxpayers.

To facilitate payroll giving, an employer simply signs up to a payroll giving agency who will administer donations on their behalf.

How does it work?

An employee asks their payroll department to deduct regular charitable donations from gross pay before tax. The company then passes that money to the chosen payroll giving agency, who sends off the donations to the nominated charities.

What are the benefits to charities?

- providing a reliable donation stream
- donors are likely to continue giving for some time
- no administrative burden associated with processing donations
- potential employer matching

This regular source of reliable donations allows charities to plan ahead and budget for the future.

What are the benefits to the donor?

- costs less to give more
- payroll giving is easy to set up and to maintain

What are the business benefits?

Quick and easy to set up and administer, payroll giving is a great way for businesses to demonstrate commitment to the causes that their employees care about.

Further information

Visit www.payrollgivingcentre.org.uk

Share Giving

One of the best kept secrets in fundraising is that giving shares can cost donors less than giving cash!

How does it work?

When donors give shares to a charity they can get substantial relief on their income tax bill, as well as exemption from capital gains tax (CGT) on any gains they may have made on the shares. With the higher rate of income tax and capital gains tax both currently at 40%, this can amount to a substantial tax break. As with payroll giving, all the tax relief goes to the donor.

While fundraisers do not need to be experts on shares or tax relief, it is a good idea for you to understand the basics. There are two types of tax relief available to donors who give shares: income tax relief on the value of the shares and exemption from capital gains tax. It is the donors' responsibility to keep adequate records to enable them to claim their tax relief and to work out how much relief they are entitled to. Donors should claim their tax relief by completing the appropriate section of their tax return. If they are not sent a tax return, or if they want to claim relief before the end of the tax year, they should contact their tax office for advice.

The key message to remember is that share donors should always be referred to their own financial advisors to calculate their personal tax relief as it will depend on their own individual circumstances.

Policy on accepting shares as gifts

A charity should consider establishing a policy prior to embarking upon a campaign to solicit shares. For guidance on writing a policy see the Institute of Fundraising's Code "Acceptance and Refusal of Donations".

This policy should cover two main areas:

1. Your charity's purpose and acceptance of certain types of company shares. Should your organisation accept a donation of shares in all companies? For example, some charities do not accept donations of shares in tobacco companies.
2. The practical considerations of accepting shares as a donation. While 11 million people are shareholders, the size of their holdings will vary. The transfer and sale of shares under a certain value may be uneconomical for the charity once brokers' fees and administrative costs are taken into account.

ShareGift specialises in accepting small holdings of shares, and also helps people with larger gifts of shares for their favourite charities. ShareGift works with companies, stockbrokers, charities and other organisations across the UK to help with share donations - www.sharegift.org

Further information

One-to-one advice is available from the Institute of Fundraising's Tax Effective Giving helpline 0845 458 4586 or by visiting the website www.institute-of-fundraising.org.uk

Legacies - Leaving Money to Charity in a Will

A bequest from a donor's will is one of the more traditional forms of giving to charity and remains a very important one. There are two types of legacies:

- **Residuary bequests** - this means that once family and loved ones have been provided for, the remainder or a proportion of the deceased's estate is pledged to one or more charities
- **Pecuniary bequests** - this means that the deceased pledges a specific sum of money to a particular charity

All charitable bequests are deducted from the value of the estate before inheritance tax is calculated. Unfortunately the majority of people in the UK die without having made a will, let alone remembering a charity within it.

One of the main barriers to discussing charitable legacies with your donors is that talking about death can be difficult and uncomfortable. Hopefully, the success of the sector-wide Remember a Charity campaign now means that awareness of legacies has never been higher. Legacies are one of the most cost-effective fundraising techniques and raise millions of pounds for national charities. Many more charities could be raising money in this way, particularly as many people are becoming more interested in the concept of leaving their mark on the world by leaving a charitable legacy.

Promoting legacies

The options available for marketing legacies to donors will vary depending on the size of the charity. Marketing options are likely to include seminars, advertising, direct appeals to your database, dedicated staff to visit, pledge cards, local contacts, solicitors and trustees, articles in local papers, legacy stories in the newsletters and 'legacy ask' talks.

Further information

For more information contact Remember a Charity at www.remembercharity.org.uk