

Making Giving Go Further

The Definitive Guide to Tax-Effective Giving

**The more you're given...
...the more you can get**



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This book draws from the first edition produced by The Giving Campaign in 2003, revised by the Institute of Fundraising. The Institute of Fundraising launched a campaign, with funding from the Office of the Third Sector, to encourage and support small and medium-sized charities in making better use of tax-effective giving.

We are grateful for the help and support of HM Revenue and Customs (www.hmrc.gov.uk), Association of Charitable Foundations, Business in the Community, Remember A Charity and ShareGift for their comments and suggestions.

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Contents

Foreword	3
About the Institute of Fundraising	4
Introduction	6
Gift Aid	7
What is it?	7
How the tax relief works	7
Higher rate taxpayers	7
Who is eligible?	9
Five steps to Gift Aid	9
The Gift Aid declaration	10
Sponsored events	11
Gift Aid for charitable attractions	13
Benefits to donors	15
Record keeping	15
Claiming the tax	16
Gift Aid audit	17
Using Gift Aid effectively	17
Gift Aid – the Logo	18
Fundraising opportunities	18
Frequently asked questions	19
Payroll Giving	21
What is it?	21
What are the benefits?	21
How the tax relief works	21
What employers have to do	22
Payroll Giving Agencies (PGAs)	22
Payroll Giving Quality Mark and the National Payroll Giving Excellence Awards	22
Using Payroll Giving effectively	23
Payroll Giving – the Logo	24
Three approaches to promoting Payroll Giving	24
Frequently asked questions	26
Share Giving	27
What is it?	27
What are the benefits?	27

How the tax relief works	27
Income Tax	27
Capital Gains Tax	28
Getting ready to accept shares	28
Record keeping	29
What to tell the donor	30
Three easy steps to Share Giving	30
Using Share Giving effectively	31
Frequently asked questions	32
Gifts of land or buildings	34
What is it?	34
What are the benefits?	34
How the tax relief works	34
What gifts of land or property attract tax relief?	35
Leaving money to charity in a will	36
What is it?	36
What are the benefits?	36
How the tax relief works	36
Using legacy fundraising effectively	37
Next steps	38
Charitable trusts and foundations	38
What are they?	38
What are the benefits?	38
How do they work?	39
Next steps	39
Giving through the self assessment form	40
Giving by businesses	40
How the tax reliefs work	40
Share Giving	41
Donations of land or buildings	42
Donations of goods or equipment	42
Donations of employees on loan	42
Volunteering	42
Sponsorship	43
Setting up and promoting Payroll Giving	43
Where to get further information	43



Since the launch of the Getting Britain Giving package of tax incentives in 1999, we have seen UK fundraising grow from strength to strength.

Fundraising as a profession has never been stronger and standards never higher. More and more charities are making use of the generous tax relief system available to us, but there is much greater potential yet to be achieved.

At the Institute of Fundraising, we consider tax-effective giving a matter of best practice; promoting efficient and responsible fundraising. Publicising the full range of tax-effective giving methods to your donors and potential supporters is a case of delivering a higher level of donor care. Indeed, by offering them a full range of giving options, you will often find that they may choose to give more and that you attract new donors to the cause.

Above all, tax-effective giving is an opportunity to increase your bottom line. If your charity is yet to benefit from the full range of tax reliefs, or simply needs a quick refresher course, this guide and the Institute's tax-effective giving support services are for you. The guide sets out all you need to know to get started and I wish you every success along the way.

Lindsay Boswell
Chief Executive Institute of Fundraising



About the Institute of Fundraising

The Institute of Fundraising is the professional membership body for UK fundraising. The Institute's mission is to support fundraisers, through leadership, representation, standards setting and education, to deliver excellent fundraising.

The Institute represents over 4,500 fundraisers and 250 fundraising organisations, providing dedicated information and support services for Individual and Organisational members. The Institute is represented across the UK by a range of National, Regional and Special Interest Groups, offering an extensive programme of networking and training events.

Committed to the highest standards in fundraising practice and management, the Institute is the leading representative voice for fundraising. The Institute works to shape policy and influence legislation, engaging with charities, Government, media, general public, and other relevant bodies across a broad spectrum of issues that impact UK fundraising.

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Striving to support and develop the knowledge and standards of all those who undertake fundraising, the Institute has developed an extensive range of training and networking opportunities. The Institute's Certificate in Fundraising Management is the professional qualification for fundraisers and is delivered by accredited training providers across the country.

The Institute offers an extensive programme of events across the country. The flagship event, the National Convention, is the largest fundraising event of its type outside the USA, attracting around 2,500 charity representatives of all levels; CEOs, fundraisers, marketing, communication professionals and policy advisers. The comprehensive three-day programme is supplemented by a series of targeted one-day fundraising conferences taking place throughout the year.

The Institute is committed to supporting charities in maximising donations through tax-effective giving, offering a range of support services to charities who wish to increase their income by taking advantage of the tax reliefs available as well as an independent resource centre for Payroll Giving.

Further Information

Further information is available from:

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Introduction

Individual giving in the UK generates £9.8 billion (NCVO 2007) each year for UK charities and about 57.6% of the adult population donates to charity on a regular basis. However, HMRC estimates that charities are still missing out on over £700 million in Gift Aid each year.

Many donors and charities alike are not aware of the range of tax-effective donation mechanisms that are available and how these systems can boost your charity's income and improve donor relations by providing them with very generous tax relief. Every charity has a part to play in increasing awareness amongst their supporter base and more widely amongst potential donors, and to benefit from increased income as a result.

This guide explains the main features of the tax incentives. Written for fundraisers, it focuses on individual giving, highlighting how the incentives work, how to use them effectively and how to explain them to potential donors. We hope that this information will help you to raise more money, more effectively and to lead to a more sustainable future for your charity.

Support for charities

With funding from the Office of the Third Sector, the Institute of Fundraising offers a range of practical support services to charities across England, including low cost training courses, a free advice centre, guidance materials and a comprehensive online resource centre for tax-effective giving.

Further Information

To find out more, visit www.tax-effectivegiving.org.uk, email taxback@institute-of-fundraising.org.uk or call our helpline on **0845 458 4586** (available Monday to Friday 9am-5pm).

The Institute of Fundraising has developed the Codes of Fundraising Practice; the best practice guidelines for UK fundraisers. Each Code covers a separate fundraising technique and provides information about the legalities, as well as best practice guidance to ensure the highest standards.

Codes

Codes are downloadable from the Institute's website, www.institute-of-fundraising.org.uk

Gift Aid

What is it?

Gift Aid allows charities to reclaim the basic rate of tax on donations received from UK taxpayers.

From 6th April 2008, the basic rate of Income Tax is 20%*, this means that your charity can claim an extra 25p for every £1 you are given. However, following the 2008 budget, government have agreed to transitional relief of 3.2 pence on the pound to give UK charities time to adjust to the change in basic rate tax. This will maintain the total amounts that charities receive at 28.2 pence on the pound until 2011.

Transitional Relief

Download the Institute's 'Did You Know' briefing sheet, 'Gift Aid, the Change in Basic Rate Tax and Transitional Relief' at www.tax-effectivgiving.org.uk

Gift Aid is a great way of maximising the value of donations at no extra cost to the donor and with minimal administration for you. It is an extremely effective way to fundraise.

As long as the donor is a taxpayer, all they have to do is give you a simple Gift Aid

declaration. A single Gift Aid declaration can cover any number of donations from that donor, applying to future donations and to donations received over the past six years. Imagine what a difference this could make to your charity.

How the tax relief works

Gift Aid allows the charity to claim the basic rate of Income Tax on the gift, which works out at 25% more (see Figure 1, on page 8).

Higher rate taxpayers

If a donor pays tax at the higher rate of Income Tax, currently 40%, they can also claim tax relief for themselves at 20% of their gross donation, or 25p for every £1 they give through Gift Aid. 20% is the difference between the basic rate of Income Tax (20%) claimed by the charity and the higher rate (40%) paid by the donor (see Figure 2, on page 8).

If the donor completes a tax return, the tax relief can be claimed by entering the donation in the relevant section of their tax return (currently section 19A). Some donors may receive a Tax Review form (P810) on which they can make a claim. Otherwise the donor can get in touch with the tax office that handles their affairs. Some claims can be dealt with over the telephone.

***All tax rates quoted are correct at time of printing.**

How the tax relief works

Donor gives your charity	£100.00
Charity claims from HMRC basic rate Income Tax on gross gift (£125 @ 20%)	£25.00
Transitional Relief	£3.20
Total charity receives	£128.20

Figure 1

Example

Higher rate taxpayer donates	£100.00
Charity claims basic rate (20%)	£25.00
Transitional Relief	£3.20
Total charity receives	£128.20
Higher rate donor claims back for themselves	
£125 x (40% - 20%) 20%	£25.00

Figure 2**Case Study**

This case study shows how Gift Aid is calculated:

Claire Jones makes a donation of £100 to her favourite cause. The charity multiplies the donation by (20/80) to calculate the tax it can reclaim, as follows:

$$\frac{£100 \text{ (donation)} \times 20 \text{ (basic rate of Income Tax)}}{80 \text{ (100 minus the basic rate)}} = £25 \text{ tax relief to charity}$$

Transitional Relief is added to the Gift Aid at 3.2% of the original donation – increasing the value of the gift to £128.20.

If Claire is a higher rate taxpayer, she will want to calculate the tax relief she can claim. She is eligible to claim the difference between the higher rate of tax (40%) she has paid, and basic rate tax (20%) reclaimed by the charity (40% - 20% = 20%). Therefore, Claire simply works out the gross value of her gift to the charity (£100 + £25 = £125) and calculates 20% of that figure to calculate the tax relief she is entitled to reclaim:

$$£125 \text{ (gross donation)} \times 20\% = £25 \text{ tax relief to donor}$$

So, to put it simply, Claire reclaims 25% of the cost of her initial £100 donation, while the charity gets 28.2% extra (25% is Gift Aid and 3.2% is Transitional Relief).

Figure 3

Who is eligible?

For a donation to qualify for Gift Aid, the donor must be a UK taxpayer. They must pay enough Income Tax or Capital Gains Tax in the same year to at least equal the amount of tax your charity will reclaim from Her Majesty's Revenue and Customs (HMRC) in respect of their donations.

A tax year runs from 6 April to the following 5 April. Your charity will claim 25p for every £1 given. So, if a donor gives your charity £100 in a tax year, they must have paid at least £25 in tax (the same amount you will claim). It does not matter at what rate the donor pays tax – it could be 10%, 20% or 40%. It could be tax deducted from bank or building society interest or the tax credit on dividends. What matters is that the amount of tax they pay in the tax year at least equals the amount of tax your charity will claim.

Five Steps to Gift Aid

Step 1 Register with HMRC for tax purposes, requesting a registration pack and reference number (this includes R68 forms and schedule).

Step 2 Get a completed Gift Aid declaration from your donors.

Step 3 Keep a record of the declarations (either on paper or electronically).

Step 4 Claim the tax back from HMRC.

Step 5 Tell your donors about Gift Aid – an easy way for them to increase their donations by as much as 28% (including Transitional Relief) and get relief for themselves too (high rate taxpayers only).

Figure 4

The Gift Aid declaration

A donor gives their formal consent for you to Gift Aid their donation(s) by completing a Gift Aid declaration either orally or in writing.

Written declarations

Declarations can be given in writing, either by post, text message, fax, online or email. If a copy of an online declaration is emailed to you from the donor, it will be regarded as a written declaration.

The declaration must include the name of your charity, the donor's name, the first line of the donor's address and postcode, the donation(s) to be covered by the declaration and the tax condition.

- The donor's name includes title, first name and surname or simply initials and surname.
- The donor's home address should be their home address, including the postcode. However, HMRC is prepared to accept that the home address has been provided if donors enter the name and number of their home and their full postcode.
- The donation(s) to be covered by the declaration may be single, regular or periodic donations. Gift Aid can be backdated for donations made

in the past six financial periods. One declaration can cover all the donations made to your charity in that period. It can also be open-ended to cover all donations to be made in the future. An ideal declaration could be: **I want this donation and all donations I've made over the past six financial periods and all future donations to be treated as Gift Aid until I notify you otherwise.**

- The tax condition should explain clearly to donors that they must pay enough tax to use Gift Aid. This can be explained most simply by the words: **To qualify for Gift Aid, what you pay in Income Tax or Capital Gains Tax must at least equal the amount that we [the charity] will claim in the tax year (currently 25p for every £1 donated).**

There is no official form for this purpose and you can design your own or download a Model Gift Aid Declaration Form from **www.tax-effectivegiving.org.uk** (see Figure 5, on page 12).

Codes

Download the Institute of Fundraising's Code of Fundraising Practice on 'Charity Challenge Events' at **www.institute-of-fundraising.org.uk**

Oral declarations

Declarations may also be given orally, either by telephone or face-to-face. For oral declarations, you can either keep a recording of the telephone call, or a copy of your written confirmation of the declaration to the donor. If you choose to keep a recording, you must ensure that the donor confirms the declaration. Guidance can be obtained from HMRC on what constitutes a suitable script. If you write to a donor confirming their oral declaration, it must contain the minimum detail required for a declaration and you must also give the donor the option of cancelling their declaration. The time allowed for this is 30 days and no Gift Aid claim should be made on their donation(s) during this time.

Sponsored events

Potentially every donation can be Gift Aided (see note 8 opposite) as long as the donor gave permission when they filled out the sponsor form. Make sure that your sponsor forms have a Gift Aid box for donors to tick and encourage them to write their details clearly.

The sponsorship form should include:

1. The charity's name
2. Date of the event
3. A reminder about the benefit of using Gift Aid and a tick box for the donor to use
4. The tax condition
5. Space for the donor's name (this must include their initial and surname and words like 'mum' or 'Sarah' are not eligible)
6. Space for the donor's home address (you cannot claim Gift Aid if you only have a work or email address)
7. Space for the postcode
8. If the participant is receiving a benefit, then donations from themselves, or 'Connected Persons' cannot be Gift Aided (although they can still be accepted)
9. Space for the date on which the sponsorship is collected.

(See Figure 6, on page 14)

Further Information

See the Institute's 'Did You Know' briefing sheet, 'Gift Aid and Event Fundraising' for more information, available at

www.tax-effectivegiving.org.uk

giftaid it

MODEL GIFT AID DECLARATION FORM

Text in **RED** denotes mandatory information for a Gift Aid declaration
Text in **BLUE** denotes optional information for a Gift Aid declaration

Are you a UK taxpayer?

If so, you can use Gift Aid to make your donations (and eligible membership fees) go further by completing this declaration. If you Gift Aid your donation, the charity will continue to receive an additional 28p. Charities can claim Gift Aid tax relief of 25p on every pound you give. HMRC will also be operating transitional provisions for Gift Aid donations made from 6 April 2008 until 5 April 2011, paying a Government supplement of 3p on every pound you give. Complete the form below and send it to the charity of your choice, together with your donation.

Charity Name:

Amount £ Date / /

Tick all that apply.

I would like to Gift Aid this donation

I would like to Gift Aid all future donations until further notice

I would like to Gift Aid all previous donations for the Charity's current financial period and the previous six

Name Surname

Address

Postcode

To qualify for Gift Aid, you must pay an amount of UK Income Tax and/or Capital Gains Tax at least equal to the tax that the charity reclaims on your donations in the appropriate tax year (**currently 25p for each £1 given**)*.

Notes:

1. You can cancel this Declaration at any time by notifying the charity
2. If your circumstances change and you no longer pay enough income or capital gains tax to cover the amount claimed by the charity, you can cancel your declaration
3. If you pay tax at the higher rate, you can claim further tax relief via your Self Assessment tax return (currently 25p for each pound you give)**
4. Please notify the charity if you change your name or address

* Gift Aid is linked to basic rate tax. Basic rate tax is 20%, which allows charities to reclaim 25 pence on the pound.
** Higher rate taxpayers can claim back the difference between basic rate and higher rate tax.

Figure 5

Model Gift Aid Declaration Form: Download this form today from
www.tax-effectivegiving.org.uk

Gift Aid for charitable attractions

New rules for claiming Gift Aid on donations made by visitors to charity property came into effect on 6 April 2006. The guidelines apply to any charity that traditionally charges for viewing property that is preserved, maintained, kept or created by the charity as part of furthering its charitable purpose. The guidelines allow more charities that charge an admission fee, such as gardens, art galleries and animal centres, to benefit from Gift Aid.

...most charities will have to place a greater focus on getting donations from visitors when they visit the attraction...

To benefit from these provisions, most charities will have to place a greater focus on getting donations from visitors when they visit the attraction – and making changes to their membership and fundraising materials. Donations made instead of an entrance fee will only be eligible for Gift Aid if the visitor pays at least 10% more than the normal admission charge, or if they entitle visitors to get into the attraction whenever it is open over a 12-month period. This could be through a membership scheme or a season ticket.

A number of charities have come together to form the Attractions Gift Aid Liaison Group (AGALG) to assist with the negotiation of new arrangements and their implementation. This group has agreed standard branding and wording to introduce the scheme to visitors and to raise public awareness. The objective is to build recognition and maximise the number of eligible visitors who participate. Please visit www.giftaidvisitor.co.uk for further information.

Further Information

Additional information is available on the Institute of Fundraising's 'Did You Know' briefing sheet, 'HMRC Guidelines for Gift Aid on Charity Visitor Donations' available at www.tax-effectivegiving.org.uk

Amount of donation

£0 to £100

£101 to £1,000

More than £1,000

Value of benefits

Up to 25% of donation

Up to £25

Up to 5% (maximum £500.00)

Figure 7

Benefits to donors

Remember that Gift Aid is designed to apply to donations where no benefit is rewarded to the donor in return for their gift. Gift Aid cannot be used on payments made for goods or services (e.g. for an event or dinner), but a small token of appreciation (such as a charity newsletter or low value gift) is perfectly acceptable. The rules about the maximum level of any benefit you can reward donors with are as in Figure 7 (above).

These limits apply to each donation and if they are breached then the donation becomes trading income. HMRC publishes comprehensive benefit rules guidance on its website www.hmrc.gov.uk, including many helpful examples such as the briefing sheet 'Gift Aid and the Benefit Rules' available at www.tax-effectivgiving.org.uk

Record keeping

HMRC has a duty to ensure that the Gift Aid scheme is used properly and has the right to inspect your Gift Aid records. Your charity

must be able to demonstrate an audit trail from Gift Aid declarations to the donations you are claiming Gift Aid on. Although the HMRC guidelines differ for charities registered as a trust to those registered as a company, the Institute of Fundraising recommends that you keep Gift Aid records for a minimum of six years. For declarations that allow you to claim Gift Aid on all future donations, it is recommended that you keep evidence of the declaration indefinitely for audit purposes.

Further Information

Find out more at the government's new information service
www.direct.gov.uk/giftaid

In its simplest form an audit trail for Gift Aid would contain a copy receipt of the donation being received, a declaration, and a copy of a bank pay-in slip.

The following are examples of satisfactory declaration records:

- Written declaration made by the donor or a ticked box confirmation by the donor that they wish Gift Aid to apply to the donation
- Recording of the declaration by the donor or a recording of the donor confirming a declaration if the declaration is pre-recorded by the charity
- A letter confirming the details of an oral declaration (above) including the 30 day cooling off period
- Computer record of a declaration template filled in by the donor and containing a link to the donor's banking details
- Email copy of a declaration
- Computer 'screen print' of the declaration sent to the charity
- Scanned image of a declaration
- Copy of a mobile phone text message confirmation of a declaration

to apply to be excepted from registration, you should write to HMRC stating:

- Full address, including postcode
- If registered, Charity Commission registration number
- If not registered, a copy of your governing document and details of activities, along with copies of any literature that explains your work
- Date on which the accounting period of the charity ends

If necessary, HMRC will check that your organisation is a charity. They will also send you the forms R68 (Claim) and R68 (Gift Aid) and a form (ChN1) asking for the name and signature of an authorised signatory who will sign your repayment claims.

R68 (Gift Aid) is a schedule or accompanying document to R68 (Claim) and needs to be completed for each tax year. If your organisation is not registered with the Charity Commission, HMRC will require documentation to assess eligibility for Gift Aid and other advantages.

Claiming the tax

In order to claim the tax back, you will need to arrange for HMRC to set up a record for you. If you are registered with the Charity Commission, or if you are exempt or wish

Aggregated Claims

Donations of less than £10 can be aggregated up to a total of £500 within claims. For more information visit www.hmrc.gov.uk

Your charity must be able to demonstrate an audit trail from Gift Aid declarations to the donations you are claiming Gift Aid on.

Charities can make as many claims as they like. However, if you make more than one claim per year you must claim for at least £100. Your claims can apply to Gift Aid donations within the past six years, though some restrictions apply. See the Institute's 'Did You Know' briefing sheet 'Gift Aid' FAQs at www.tax-effectivegiving.org.uk

Further Information

To find out more, download the Institute of Fundraising's 'Did You Know' briefing sheet 'Time Limits for Making Gift Aid Claims' from www.tax-effectivegiving.org.uk

Gift Aid audit

HMRC's Audit Unit has the right to carry out inspections of charities to check that claims are for the correct amounts and are backed by clear audit trails. The auditor will:

- Review accounting records, systems and procedures
- Check the calculation of claims
- Check on declarations and banking records

They may also identify any other tax risks (such as gifts of shares, land and property). Most inspections are routine. The timing and frequency at which charities are inspected depends on the size of claim, the results of any previous inspection and any other information. However, other factors, such as significant changes in claim size, can also affect the timing of an inspection. Audits are generally conducted after repayment and are based around a particular claim or series of claims. Some claims, however, may be selected for review prior to repayment.

De Minimis Error Level

Charities that claim less than £2,500 each year in Gift Aid will not be penalised for errors of less than 4%. For more information visit www.hmrc.gov.uk or www.direct.gov.uk/giftaid

HMRC is willing to give advice to new charities (or existing charities implementing system changes). You can telephone the Audit Unit on 0151 472 6123.

Using Gift Aid effectively

Your donors are much more likely to use Gift Aid if they understand the difference it could make in real terms; for example, what the extra Gift Aid money will enable you to do.

Gift Aid – the Logo

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The Gift Aid logo (illustrated above) is used by many UK charities and can be used, free of charge, by any charity as part of its fundraising. The aim of the logo is to build recognition of Gift Aid. Download the logo with guidelines from www.tax-effectivgiving.org.uk

When talking about Gift Aid, you may wish to use one of the two standard descriptions below or amend as you wish, often featured next to a tick box:

1. Use Gift Aid to make your donation worth even more. For every pound you give to us, we can claim back 25p from HMRC and receive an extra 3.2p in Transitional Relief – it's that simple.
2. Using Gift Aid means that for every £1 you give, we can claim back 25p from HMRC and receive an extra 3.2p in Transitional Relief. This means that £100 can be turned into £128.20 just so long as donations are made through Gift Aid. Imagine what a difference that could make and it doesn't cost you a thing. So if you want your donation to go further, Gift Aid it.

Find out more about Transitional Relief by visiting www.tax-effectivgiving.org.uk

Fundraising opportunities

Gift Aid can be used successfully across a variety of fundraising mechanisms. Some simple ways to increase Gift Aid take-up:

1. Promote Gift Aid on every fundraising appeal and marketing materials
2. Make sure that anyone fundraising for the charity understands Gift Aid
3. Prepare some easy examples about what the extra money will allow your charity to do
4. Send a letter/email to donors who are yet to complete a Gift Aid declaration
5. Follow-up your Gift Aid letter with a telephone call
6. Appoint a Gift Aid guru who will be able to answer all queries and support your charity in making better use of Gift Aid
7. Include Gift Aid reclaims in your fundraising targets
8. Put tax-effective giving on your trustee agenda each year
9. Make sure that you have reclaimed as much as you can, claiming Gift Aid for up to six years of previous donations from donors wherever possible

- 10. Incorporate Gift Aid within your event planning, considering if and how it might enable you to add value to income generated from these events
- 11. Modify your members' benefits package to allow Gift Aid on membership fees

Figure 8

Actions

- Follow up existing donors who have not given a declaration
- Make it easy for your donors
- Make your sponsorship form 'Gift Aid friendly'
- Ensure all your staff and volunteers understand Gift Aid
- Promote Gift Aid on every fundraising appeal
- Tell donors how you plan to use the extra money raised from Gift Aid

Frequently asked questions

Can we accept joint donations?

Yes, if you receive a donation from a joint bank account and do not have a Gift Aid declaration from both account holders,

you can assume that it is from the person who has made the declaration, unless the evidence clearly suggests otherwise.

Can we claim Gift Aid on donations by charity cheques or vouchers?

No, donations made by charity voucher, charity cheque or charity card have already had Gift Aid tax claimed and added to the donor's account. You cannot include them in your claims.

Can we use Gift Aid when we sell Christmas cards?

No, Gift Aid cannot be used for payments to buy goods such as Christmas cards, although ongoing work in this area allows additional voluntary donations to be Gift Aided.

Can we use Gift Aid when we sell items donated to our charity shops?

Yes, this involves converting the item into a cash donation by the charity acting as an agent for the donor, selling the item and then offering the cash back to the donor. If the donor then chooses to donate the cash to the charity then Gift Aid can be used. A clear record linking donors to items and the cash they have raised is essential as is permission to Gift Aid the cash raised from that item. More information can be found by contacting HMRC on **0845 302 0203**.

Can we Gift Aid school fees?

No, Gift Aid cannot be used for the payment for services such as school or college fees, or admission to events (however, the parent teacher association can use it when asking for donations towards general school funds).

What about charity auctions?

In some cases, part of the money bid for an item in a charity auction can be increased through Gift Aid. This is only when the item has a clear market value, which must be stated at the time of auction. For example, if a donor bids £700 for a pair of travel tickets that cost £500, the extra donation of £200 can be Gift Aided.

What about raffles and lotteries?

No, buying a ticket for a raffle, lottery or '100 Club' draw is a payment for the right to enter and take part in the competition – regardless of who wins or the value of the prize. It is not a donation and Gift Aid cannot be used.

Is foreign currency eligible for Gift Aid?

Yes, you can Gift Aid a donation of foreign currency. You and the donor will simply need to record the value in sterling on the date it is given.

What about challenge events?

Sponsorship money raised for challenge events is eligible for Gift Aid. It is likely that donations by the participant and their family will not be eligible for Gift Aid because the participant is receiving a benefit, but sponsorship by people unrelated to the participant will usually be eligible. Any registration fee or non-refundable deposit is also not eligible for Gift Aid as it is not a voluntary donation.

What if things go wrong?

If you have a Gift Aid declaration, but it turns out that the donor has not paid enough tax to cover the tax you have reclaimed, then HMRC has the right to ask the donor to pay back the money. However, you will usually be able to discuss this with HMRC to see whether anything can be arranged on the donor's behalf and you might be able to correct any mistake made and re-submit your claim.

Can memberships fees be Gift Aided?

Yes, providing the benefits don't exceed HMRC's benefits rule. You can find out more by downloading the Institute's 'Did You Know' briefing sheet 'Gift Aid and Memberships' at www.tax-effectivegiving.org.uk

Payroll Giving

What is it?

Payroll Giving is a scheme that enables employees to give to any UK charity straight from their gross salary (before tax is deducted), and to receive immediate tax relief of up to £4 for every £10 donated.

It is a tax-effective way for an employee to give a regular or one-off amount direct from their salary (monthly or weekly) to charity. Employees can support one or more charities and they can give as much as they wish. Payroll Giving has become increasingly popular in recent years, but there is potential for further growth. In 2006/07, more than 640,000 employees used Payroll Giving to make donations worth almost £90 million. It is estimated that around 10.5 million employees now have access to Payroll Giving.

What are the benefits?

Payroll Giving provides charities with a regular, reliable income stream, allowing you to plan ahead and budget for the future. Benefiting donors with immediate tax relief, it is easy to set up and donations continue

to be deducted from an employee's pay automatically, often for many years.

From an employer's perspective, Payroll Giving is simple and inexpensive to set up and run. Payroll Giving is a great way for businesses, through the Quality Mark scheme, to demonstrate commitment to the causes that their employees care about, (see pages 22-23 for more information).

How the tax relief works

Unlike Gift Aid, all the tax relief is given to the donor. The donation is simply a pre-tax deduction, reducing the amount of Income Tax taken from the donor's pay. This means the donor gets immediate tax relief at their highest rate of tax. So a £10 donation would generate tax relief of £4 for higher rate tax payers and £2 for basic rate tax payers (see Figure 9 below).

Employee donation received by charity	Basic rate taxpayer (20% tax)		Higher rate taxpayer (40% tax)	
	Tax relief	Cost to donor	Tax relief	Cost to donor
£5.00	£1.00	£4.00	£2.00	£3.00
£10.00	£2.00	£8.00	£4.00	£6.00
£20.00	£4.00	£16.00	£8.00	£12.00
£100.00	£20.00	£80.00	£40.00	£60.00

Figure 9

What employers have to do

All organisations, charities and businesses alike, are encouraged to offer Payroll Giving to their staff. Employers simply sign up with an HMRC approved Payroll Giving Agency (PGA) that will distribute donations to the employees' favoured charities. Donors are asked to complete a mandate, stating how much they wish to give and to which charities and the employer arranges for the donation to come off their salary as a pre-tax deduction. All modern payroll systems can facilitate Payroll Giving. Employers send the deductions in one sum each month alongside a list of donors and new donor mandate forms, if appropriate, to their PGA, usually at the same time as they send the PAYE tax to HMRC.

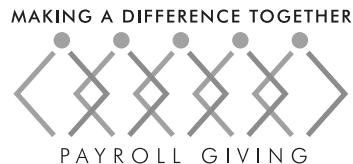
Payroll Giving Agencies (PGAs)

PGAs are registered charities that are regulated by HMRC. They receive donations and send money to chosen charities each month, creating an audit trail. Employers need to sign a simple contract with a PGA, this process does not require legal input. The PGA can also give advice about how to promote a scheme. Currently, there are around a dozen PGAs to choose from across the UK (a list is available online

at www.payrollgivingcentre.org.uk). Most PGAs make a small administration charge, which is deducted from employees' donations before they are sent on to the nominated charities. An increasing number of employers now pay that administration charge to enable an employee's donations to be forwarded in full.

Payroll Giving Quality Mark

The Payroll Giving Quality Mark is an annual programme that recognises and rewards organisations for making Payroll Giving available to their staff.



Providing employers with a certificate and logo (see above) for signing up to Payroll Giving and Bronze, Silver or Gold Awards for those that achieve target employee participation rates, the Quality Mark aims to provide UK charities with sustainable income streams by increasing participation in Payroll Giving. Awards are distributed on an annual basis.

In 2007, the **National Payroll Giving Excellence Awards** were introduced. All employers with current Bronze, Silver or

Gold Quality Mark Awards can apply and the ceremony takes place at a prestigious event held each October at HM Treasury.

Further Information

To find out more, visit the independent online resource centre for Payroll Giving at www.payrollgivingcentre.org.uk

Using Payroll Giving effectively

There are a number of advantages to Payroll Giving, not only for charities but also for donors and employers. It is important to understand these benefits if you are going to make the best use of Payroll Giving in your fundraising.

Benefits for donors

Using Payroll Giving means that it costs donors less to make a donation. This may well mean that they can afford to give more. The average payroll donation varies between £7 and £10 per donor per month. It is a simple, hassle-free way to give and donors can support a number of charities from just one form. It is easy to set up and donations continue to be deducted from an employee's pay automatically, often for many years. A donation will be deducted

from their pay each month or week and is then sent directly to the charity via the Payroll Giving Agency.

Benefits for employers

Payroll Giving is simple and inexpensive to set up and run.

From an employer's perspective, there is barely any cost or administrative resource incurred in setting up a scheme and administration costs are deductible from their profits for tax purposes.

Payroll Giving is a great way for businesses, through the Quality Mark scheme, to demonstrate commitment to the causes that their employees care about. It can also aid retention and recruitment of staff, and enable businesses to create an environment in which a sustainable income stream for charities can be established.

Benefits for charities

As well as creating a sustainable form of income, promoting Payroll Giving offers a vital platform for your charity and can lead to long-term relationships with business. Once a donor has agreed to make a donation, it is likely that they will continue to support your charity for several years to come. Even small monthly donations mount up over time and your payroll donors may well go on to support you in other ways. In addition, more than £10 million of corporate donations are distributed by employers

choosing to operate a 'Matched Giving' scheme in support of the gifts made by their employees.

Payroll Giving – the Logo



The Payroll Giving logo is available to all charities and employers that wish to promote the scheme.

Further Information

To make use of the logo on your materials, download it from www.tax-effectivegiving.org.uk

Three approaches to promoting Payroll Giving

There are three main ways to promote Payroll Giving to employers and these are outlined in this section.

1. Do It Yourself (DIY)

You should make every effort to promote Payroll Giving yourself and make contact with employers where you have contacts, or who are likely to be interested in your work. The advantage of this approach is that you are promoting your own cause and a more direct, personal appeal is likely to

be more persuasive. Consider approaching both past and present corporate supporters to set up a Payroll Giving scheme or re-promote an existing one.

One of the best ways to learn about Payroll Giving is to offer a scheme within your charity. It will raise awareness of the scheme within your charity and provide an opportunity to see it work first hand. You can then be better informed about running the scheme when talking to other employers. Start your promotion with your own suppliers as they are likely to be supportive.

2. Consortium fundraising

Another way to recruit Payroll Giving donors is to join with other charities in your local area to appeal collectively to local employers. This works best if the consortium can offer a range of causes for donors to support. The consortium can use volunteers or paid staff to work on its behalf. In this way you can share the costs while concentrating expertise. In addition, the consortium must be registered with HMRC and also with the PGAs. The Institute has developed a training workshop for those charities keen to explore the options in setting up a charity consortium. For further information contact the Institute's helpline **0845 458 4586**.

You will need to draw up a consortium agreement to deal with the finances.

You can download a template from www.payrollgivingcentre.org.uk

A number of local charity consortia have been developed specifically to benefit from Payroll Giving donations. The following are a few tips to make your consortium a success:

- The most successful are those where there are not too many partner charities and with a wide range of causes covered, particularly those which benefit the local community
- In addition to making the right selection of partners, it is also vital that each charity contributes investment funding to cover the set-up costs and the roll-out
- You need an organisation to look after the administration and banking; this could be a local Community Foundation, CVS or a member of the consortium
- Members of the consortium should be able to open doors into local companies in order that approaches to them can be made quickly and effectively
- Be realistic in regard to the time commitment needed by all members and the income expectations

- Develop a strategy for donor recruitment and explore all options available, employing the services of specialist organisations where necessary

3. Professional Fundraising Organisations

Professional Fundraising Organisations (PFOs) employ professional fundraisers to visit employers and recruit donors. They may work with a larger employer over a period of months to develop a successful scheme. They usually represent a wide range of charities to appeal to potential donors. However, there is a limit to the number of charities they can take on. They charge a fee for each donor recruited on your behalf. If they fail to recruit a donor, there is no fee. Most PFOs belong to the Association of Payroll Giving Organisations. For more information visit www.apgo.org.uk

Further Information

For further promotional ideas, for tips and support, visit www.payrollgivingcentre.org.uk For best practice guidance, see the Institute of Fundraising's Code of Fundraising Practice 'Committed Giving in the Workplace'.

Actions

Ensure all your staff and volunteers understand Payroll Giving

Ask your corporate supporters to introduce Payroll Giving in their workplaces

Tell potential supporters about the incentives and benefits of introducing Payroll Giving

Thank every donor who gives through their payroll and stay in touch

Frequently asked questions

How can I encourage donors to increase their donation?

The PGAs will give you your donors' contact details, as long as they have agreed to give them and you have agreed to pay for the statements which your PGA can supply. You should thank donors and build a relationship with them, but be wary of approaching payroll donors for increased gifts until you have developed the relationship.

Further Information

For further frequently asked questions and answers, visit www.payrollgivingcentre.org.uk

Does Payroll Giving affect National Insurance contributions?

No, Payroll Giving donations do not attract any relief from employers' or employees' National Insurance Contributions (NICs). The authorised donation is deducted from pay after NICs have been calculated, but before Income Tax is calculated under PAYE. This is usually easily dealt with by payroll software.

Can bonuses be donated through Payroll Giving?

Yes, although Payroll Giving is designed for regular donations from pay, one-off donations can be made.

Can pensioners use Payroll Giving?

Yes, pensioners can make a donation out of their pension from a former employer, as long as PAYE tax is deducted from their pension and their pension provider has a pre-tax deduction scheme for charitable donations; this is known as Pension Giving. Payroll Giving donations cannot be made from the state pension.

Why should my charity offer Payroll Giving to its staff?

By offering Payroll Giving internally, your fundraising team has the perfect opportunity to practice their approach with other employees before reaching out to new ones.

Share Giving

What is it?

When donors give or sell 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 at 40% and Capital Gains Tax at 18% from 6th April 2008, this can amount to a substantial tax break. As with Payroll Giving, all the tax relief goes to the donor.

What are the benefits?

Share Giving is one of the most exciting ways that charities can access money from new donors, or increase donations from existing donors. Some donors will be unaware that the tax relief can make a significant difference to their tax bill, but it can be a very attractive donation option so it is one that is well worth promoting. Each year, around £100 million of shares are given to charity and the average value of each gift works out at approximately £7,000, making Share Giving a great way to attract high-level donations.

How the tax relief works

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 donor's 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.

Income Tax

The donor may be eligible to claim tax relief on the value of the shares they donate to you. There are detailed notes available from HMRC which explain exactly how share donors can claim their tax relief and gives several examples. You can get copies of these notes to send to donors by visiting www.hmrc.gov.uk

You should be aware that the shares that qualify for tax relief are broadly those that are publicly quoted. These include:

- Shares and securities dealt in or listed on the UK Stock Exchange, including the Alternative Investment Market Shares and securities dealt in or listed on any recognised overseas stock exchange
- Units in a UK authorised unit trust (AUT)
- Shares in a UK open-ended investment company (OEIC)
- Holdings in certain foreign collective investment schemes (broadly, schemes established outside the UK that are equivalent to unit trusts and OEICs)

NB: Some shares (such as unquoted shares) are not eligible for Income Tax relief and although the donor can still give them to you as a donation, they will receive less (or no) tax relief.

Capital Gains Tax

When someone sells shares that have increased in value since they were bought, they make a capital gain. If the gain is above a certain limit each year, they may be liable to pay Capital Gains Tax. If they sell shares and there is a loss, this loss could be offset against gains.

However, if the donor does not sell their shares but donates them to charity, the

position is different; in that case there is no gain or loss for CGT purposes. What this means is that if the donor has made a gain, he or she will not be taxed on it if they give the shares to charity.

Always suggest that donors talk to a professional financial adviser about the tax implications of their donation.

You must not give a donor financial advice unless you are professionally qualified to do so, but you could easily do this by mistake when you are just trying to be helpful!

Getting ready to accept shares

There are a number of factors your charity needs to consider before deciding whether to accept shares and you may find it easier if you establish clear guidelines before you are offered any shares.

- You may not want to accept shares in certain companies for moral and ethical reasons
- If your charity accepts shares your trustees will have two options. They can either sell the shares or keep them as an investment
- Your finance department or board may wish to handle any decisions about share ownership

It is worth noting that there are some instances where it might appear that donors are using a donation to charity to benefit from favourable tax relief. Transactions by major donors (defined as individuals, trusts or companies giving more than £25,000 in any one year, or more than £100,000 over six years) which appear to extract value from the charity will be treated as non-charitable expenditure and will affect the charity's tax relief.

Before you start fundraising for shares, you need to decide who within the charity will be the main contact for gifts of shares, what resources you need, what your procedures will be and how much of the actual process you will want to handle yourselves. If your charity does not already have a stockbroker, you will also need to find one to handle and sell shares for you. Your stockbroker will be able to help you understand the procedure for transferring and selling shares.

Consider opening a nominee account through your broker. Shares are often held by brokers in a nominee account. This is an electronic record of the holding or ownership of the shares. There is no certificate, simply a statement. Your charity can accept shares into these nominee accounts via electronic transfer. If you don't have a nominee account the donors will have to send you share donations in paper form.

Further Information

For more information contact the Institute of Fundraising's tax-effective giving helpline on **0845 458 4586**, email **taxback@institute-of-fundraising.org.uk** or visit **www.hmrc.gov.uk**

If you don't want to administer share donations, then organisations such as the Charities Aid Foundation (**www.cafonline.org.uk**) and ShareGift (**www.ShareGift.org**) accept gifts of shares and will be able to explain how they can help you.

Record keeping

It is the donor's responsibility to claim their tax relief and to keep a copy of the transfer form or letters relating to the donation in order to make their claim. However, you can help by acknowledging gifts of shares efficiently and by keeping copies of the correspondence and transfer forms yourself in case of any problems.

It is the donor's responsibility to claim their tax relief and to keep a copy of the transfer form or letters relating to the donation in order to make their claim.

What to tell the donor

You should be able to explain to potential donors how your charity will handle share donations. In order to give you shares, a donor needs to complete a formal transfer process to hand over ownership. Tax relief is a complex subject and each donor's relief for a gift of shares will depend upon their own particular circumstances. Unless you are a qualified financial adviser, you must not give any financial advice, although you may tell donors what reliefs are available. Always refer donors to their accountant or financial adviser.

Always remember to thank your donors.

Three easy steps to Share Giving

Step 1 Discussions with the donor

When a donor makes an enquiry about Share Giving you need to be clear about the details, but avoid giving any financial advice. Ask how many shares they want to donate, and in what company. Find out the value of the shares you are being offered as they could be worth a considerable amount and you will want to handle the gift

appropriately. Advise them that they might want to seek professional tax advice. You will also need to find out if the shares are held in paper form (a share certificate) or electronically (via a nominee account). The transfer process depends upon this.

Step 2 Decide if your charity wants to accept the gift

Many donations will be straightforward gifts of shares in major public companies, but you might be offered shares that are less easy to handle, such as overseas shares or shares in an unlisted company. Your charity should get professional advice before deciding whether to accept a share gift.

Step 3 Arrange the transfer of shares

Depending on how the donor holds the shares, there are different ways to transfer them.

1. From the donor's nominee account to the charity's nominee account

You can use your own nominee or a broker's account. The donor should ask their broker to transfer the shares to your charity's nominee account.

The donor and the charity (or more usually your brokers) will need to establish the following details:

- The identity and nominee account number of each other's account

- The charity's registration number or HMRC reference number – this is to ensure that the transfer of shares will be free of stamp duty
- An agreed trade and settlement date on which the transfer will take place (normally one week ahead)

2. From the donor's nominee account to a share certificate

If the donor has a nominee account but you don't, then the donor needs to take the shares out of their nominee account and convert them into a paper share certificate before transferring them to you (see number 3). There may be a charge for this (donors can claim tax relief against any such costs).

3. From a share certificate in the donor's name to a share certificate in the charity's name

If the donor has a share certificate, they should complete a share transfer form and return it to the company's registrar. You can provide a transfer form or they can obtain one from a broker or from the company's registrar (the registrar's details can be found on the share certificate or via the company's website). The registrar will then issue a new certificate in the name of the charity.

After the shares have been transferred

Once the shares are registered in the charity's name, you can keep them or sell

them through your stockbroker according to your policy for share donations. Do not sell the shares until there is evidence that the gift has been completed. It is essential that you wait until the shares have been re-registered in the name of the charity or its nominees before you sell them.

Asking the donor to sell the shares on your behalf

Donors who buy and sell shares regularly may be happy to sell the shares on your behalf. They can do this and still be treated for tax purposes as a share donor. However, in order to claim their tax relief, the donor will need evidence that they made a gift of shares to your charity before the shares were sold. Without evidence, HMRC may take the view that the shares were sold by the donor and the proceeds given to charity. This would mean that the donor would not be eligible for the tax relief. The evidence can be a simple exchange of letters setting out the details of the gift, when it was made and that your charity accepted the gift and asked the donor to sell the shares on your behalf.

Using Share Giving effectively

Share Giving should be integrated into your fundraising strategy. It gives donors another way to support your charity. It could bring in

new major donors and offers existing donors a very tax-effective way to give.

An nfpSynergy report, 'Share Giving – Sheer Indifference', shows that many charities are failing to promote Share Giving to donors, despite the opportunities to benefit. The report identifies five top tips for marketing Share Giving cost-effectively, they are:

1. Appoint a Share Giving 'guru' who will be able to answer all queries and support your charity in making better use of Share Giving
2. Promote Share Giving little and often, explaining the tax incentive
3. Target Share Giving at high value donors
4. Timely promotions (e.g. when there are 'windfall' share handouts)
5. Promote Share Giving as part of a complete service for supporters, mentioning it whenever possible

Frequently asked questions

Is there any further training available on Share Giving?

The Institute of Fundraising offers a full-day training course covering each of the tax-effective giving mechanisms including Share Giving. To find out more about training opportunities near you, call the helpline on **0845 458 4586**, email

taxback@institute-of-fundraising.org.uk or visit www.tax-effectivegiving.org.uk

Can I help a donor decide whether to give shares or sell them and donate the proceeds?

No, you must be careful not to give personal tax advice. You should suggest they get professional advice from an accountant, a solicitor or financial adviser. You may explain how the tax relief works, but do not be drawn into discussing the merits of different methods.

The donor has asked us to 'lock in' the shares (hold onto them until an agreed date), can we agree to this?

Increasingly charities are being offered gifts of shares, typically just as a company is going public and its shares are to be listed on the stock exchange for the first time. Directors may be receiving large quantities of shares at this time and it represents a moment when some may consider giving to charity. Directors in such circumstances are often required to agree not to sell shares for a period of time so as to create an orderly market in the company's shares – if all the directors start to sell their shares on the first day then it would affect the share price. This is called a 'lock in'.

It is acceptable for a director to donate shares to a charity, claim the tax relief based on the price of that day, and require the

recipient charity to accept the same terms as they themselves had accepted, i.e. hold the shares until an agreed date. HMRC will accept this arrangement, so long as the donor does not, for example, also agree some sort of buy-back arrangement with the prospective charitable recipient. The critical thing to understand is that the share price may well fluctuate during the period that the shares are held and the true value to the charity will only become apparent on the day when the restriction is lifted. Trustees must understand that the donation could be worth nothing by the time the restriction is up, or the same, or double.

What about unlisted shares?

Unlisted shares are those that are not publicly traded on the open market, for example, shares in privately owned businesses. The Income Tax relief is not available on gifts of non-qualifying shares (although any capital gain on the disposal to you would be exempt from Capital Gains Tax). Gifts of unlisted or unquoted shares are less straightforward to handle. They are not easy to value and they may be difficult to sell. Even so, as long as you manage your trustees' expectations, they may be worth a considerable amount of money. If you receive an offer of unlisted shares you should consider whether your charity is able to accept them. Seek advice from your financial adviser or broker. If you would not

want to keep them and do not think you will be able to sell the shares, ask the donor if they could sell them on your behalf.

Can I give my share donors a gift?

Yes, but if there is a cost for the gift then it may affect the amount of tax relief they are entitled to. For further information visit www.hmrc.gov.uk

Actions

- Make it easy for your donors
- Aim to get at least one donation of shares every year
- Understand the benefits of Share Giving and explain them to your donors
- Tell your donors about Share Giving using newsletters and meetings
- Ensure all your staff and volunteers understand Share Giving

Gifts of land or buildings

What is it?

Individuals who donate land or buildings to charity benefit from Income Tax relief and exemption from Capital Gains Tax, similarly to gifts of shares. The donor must be able to show that the charity has agreed to accept the gift.

What are the benefits?

As with Share Giving, it gives you an opportunity to tap into a new form of support that, thanks to the generous tax relief, can be very attractive to donors. It may also be a way of acquiring property that can be used in your charitable activities.

How the tax relief works

The relief works in the same way as Share Giving. Tax relief is given for the market value of the property as a deduction from the donor's Income Tax liability for the tax year when the gift is made. The Income Tax relief is in addition to exemption from Capital Gains Tax. The market value of a property is what it would fetch if sold. The amount that can be deducted is:

- The market value of the property plus
 - Any associated costs of transferring the property, such as solicitor's fees
- less
- Any proceeds of the sale, or the value of any benefits received in consequence of making the gift

Gifts of property are likely to be significant in value. Donors should claim the 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. You should discuss the arrangements carefully with your advisers. Donors should seek tax advice from their financial advisers.

Example

Simon Jones agrees to give a house, valued at £100,000, to a charity. The transfer is arranged and Simon pays the costs. He receives tickets for a charity ball, worth £500, as a 'thank you' from the charity. The tax deduction is calculated as follows:

Market value of the property	£100,000
plus the costs of transfer	£3,000
less benefit received from charity	£500
Deduction against income	£102,500
Tax relief	£41,000

Assuming Simon is paying Income Tax at the higher rate of 40%, his Income Tax bill will be reduced by (£102,500 @ 40%) £41,000.

Figure 10

What gifts of land or property attract tax relief?

Any land and buildings are eligible for relief provided the whole of the donor's interest in the property is given to the charity. A donor cannot give their house to a charity and continue to live in it, because they would be retaining an interest in the property. Offers of gifts of land or buildings are likely to be quite rare, but of significant value to your charity.

Actions

- Understand the benefits of giving land or buildings
- Make it easy for your donors
- Tell your donors about the relief
- Ensure all your staff and volunteers understand that you can be given land or buildings

Leaving money to charity in a will

What is it?

People can leave money or property to charity following their death by making provision for this in their will.

This is known as a legacy or bequest. There are several forms in which it can be left. It may be a pecuniary legacy which is a specified sum of money, or a specified item of value, such as a painting, property or shares. Alternatively, it may be a residuary legacy. This means a percentage of the net value of their estate – the amount that is left once the executors have paid all the necessary outgoings and other legacies or bequests.

What are the benefits?

Charitable donations in a will are completely free of Inheritance Tax. Legacies are the largest single source of voluntary income to UK charities. Some charities rely on legacies for the large part of their income. While many legacies will be modest, others may be very substantial. Legacy fundraising has enormous potential. Although two thirds of the population supports charities,

only one in seven wills currently include a charitable bequest.

How the tax relief works

When someone dies, all their assets and liabilities pass to their estate. If the value of the estate, after settling any outstanding debts, exceeds a certain amount, then Inheritance Tax is charged on the balance.

Inheritance Tax (IHT) is charged at 40% on estates exceeding the threshold of £300,000 per individual in 2007/08 (often referred to as the nil rate band). New rules implemented on the 7th October 2007 allow a surviving spouse or civil partner to use any nil rate band that their spouse, or civil partner, did not use against their estate in addition to their own nil rate band – thus increasing the threshold for married couples and civil partnerships to £600,000. The nil rate band will rise to £350,000 per individual (£700,000 for married couples and civil partnerships) by 2010. Certain assets are excluded from the calculation, for example, anything that is left to a husband or wife.

In order to leave money to charity, a donor needs to make a will or amend an existing will. They should seek legal advice from a suitably qualified professional, e.g. a solicitor, who will make the necessary arrangements.

Example

Lisa Green died in May 2005. She left £40,000 to her favourite charity and the rest of her estate to her daughter:

Total value of estate	£500,000
less:	
household bills	£1,500
funeral expenses	£3,500
legacy to charity	£40,000
Total	£45,000
Net value of estate	£455,000
Inheritance Tax threshold	£300,000*
Balance of estate chargeable	£155,000
Inheritance Tax @ 40%	£62,000

* The nil rate band for individuals 07/08

Without the legacy to charity of £40,000, further Inheritance Tax of £16,000 would be payable.

NB The 07/08 nil rate band for married couples and civil partnerships is £600,000

Figure 11

Using legacy fundraising effectively

Anyone can leave money to charity. It is relatively easy to do and it is affordable. Legacies can make a significant impact on your annual income. Make sure that your donors know that you welcome legacies and show how you have used ones that have been given recently.

Your success with a legacy fundraising programme is likely to depend on the

effort you put into it. It will not yield instant results, but the rewards will be highly cost effective. You may decide on a personal approach by arranging to meet people face to face in their own homes. You may decide on showing the difference a legacy has made, or could make, on your website or newsletter. Whatever you decide, the important thing is that you raise the subject. Donors are usually much more relaxed about the subject than fundraisers expect.

Further Information

For more information visit www.remembercharity.org.uk or download the Institute of Fundraising's Code of Fundraising Practice, 'Legacy Fundraising' at www.institute-of-fundraising.org.uk

Next steps

Remember A Charity is a consortium of over a hundred and forty registered charities working to raise awareness of legacy giving.

Actions

- Understand the benefits of leaving a legacy
- Tell donors how you plan to use the extra money raised from legacies
- Tell your donors how to leave a legacy
- Ensure all your staff and volunteers understand legacies
- Write a will yourself and leave a legacy

Charitable trusts and foundations

What are they?

Setting up a trust or foundation can give a donor a framework for planning their charitable giving.

It may also give them a greater say in how the money they give is directed to the causes they want to support. Many people involve their family as trustees and find it an enjoyable and constructive way of developing a shared family commitment to giving.

What are the benefits?

A trust can take advantage of various tax benefits. As well as the relief on donations to the trust, it will not pay tax on its investment income, Corporation Tax or Inheritance Tax. It will also not pay tax on business rates (there is mandatory relief against business rates at 80% and a further 20% on a discretionary basis) if it eventually runs its own office.

How do they work?

The donor and other trustees decide how much they would like each beneficiary to receive. Their main responsibility is to work within the charitable purposes and the powers set out in the Trust Deed or Declaration of Trust.

Charitable trusts with income of more than £5,000 per annum are regulated by the Charity Commission. After the trust registers, it must publish a formal report and accounts each year (including a list of the main organisations it has helped) and must send the Charity Commission a yearly return and report any significant changes.

The trust can continue after the donor's death and may be the beneficiary of a legacy from their estate (which will be tax-free). The trustees can continue to distribute funds according to the guidelines set out in the trust's constitution and they can also carry on the donor's name if that is relevant. Some trusts are managed by charities; these include the Charities Aid Foundation and Community Foundation Network.

Further Information

For more information visit the Association of Charitable Foundations' website www.acf.org.uk or download the Institute of Fundraising's Code of Fundraising Practice 'Fundraising from Grant Making Trusts' at www.institute-of-fundraising.org.uk

Next steps

Donors should seek specialist help and advice from lawyers or accountants.

Actions

- Understand the benefits of setting up a trust or foundation
- Approach local trusts or those with an interest in your work
- Target trusts carefully and don't waste their time

Giving through the self assessment form

If a donor completes a self assessment tax return (e.g. if they are self-employed, or a higher rate taxpayer) then they can donate any part of a tax repayment to charity.

Charities need to get a unique code from HMRC to allow them to receive these donations. Make sure your donors know your code in case they want to give in this way. The part of the form which is used is currently section 19A.

Giving by businesses

Companies can get tax relief when they give to charity. Donations can include cash, gifts in kind and staff.

How the tax reliefs work

Cash donations

All companies can get tax relief through Gift Aid when they give money to UK charities, but the relief works differently for companies, self-employed people and partnerships:

Companies: When a company makes a donation, it gets tax relief by deducting the amount given from profits and pays less Corporation Tax. In 2006/07 the main rate of Corporation Tax is 30%, and the rate for smaller companies is 20%. The company should retain any correspondence with the charity as evidence of the gift.

Self-employed people: If someone is self-employed and wants to Gift Aid their donation you should handle it the same way as a donation from an individual.

Partnerships: Where the company is a partnership, a Gift Aid donation should be treated as donations of equal amount from the individual partners, unless the partnership decides to split it in a different way. The tax position for both you and the donors is the same as for Gift Aid by individuals. Unless one partner has a power under the partnership agreement to make a Gift Aid declaration on behalf of the partnership, you will need a Gift Aid declaration from each partner. This can be done on one declaration form provided it includes each partner's details.

What you can give as a token of appreciation

When gifts are made by self-employed people or by partnerships, the same benefit limits apply as for individual Gift Aid donations. Where the donation is from a company, there is no limit on what benefits may be given in return unless it is a 'close company' for tax purposes. Broadly, a close company is one that is controlled by five or fewer people. In this case, neither the company nor any person connected with the company can receive benefits of a value which exceeds the limits for individual donations.

Share Giving

Companies can claim Corporation Tax relief for gifts of shares. They can also claim relief if shares are sold at less than their market value. The shares which qualify for relief are the same as those which qualify when they are given by individuals, subject to one exception — a company cannot give its own shares. The tax relief works in the same way as for individuals. Companies get this relief in addition to any exemption from Corporation Tax on any capital gains on gifts to charity of shares, securities and other assets. Companies should deduct the amount while working out their company profits in the accounting period in which the gift is made. When gifts of shares are made by self-employed people or by partners in a partnership, the deduction is calculated in the same way as for individuals.

Donations of land or buildings

Companies can claim Corporation Tax relief for gifts of land or buildings. They can also claim relief if the property is sold at less than its market value. The charity must agree to accept the gift. The type of properties which qualify and the conditions for the relief are the same as those that apply to individuals. The amount that may be claimed is also calculated in the same way as for individuals.

Donations of goods or equipment

Companies can get tax relief if they give you items that they make or sell. Normally, when a company gives away items, the market value of the gift is included as a trading receipt when calculating their profits for tax purposes. But if the items are given to charity, then it is not counted as a sale. This means that the company gets tax relief for the cost of the article.

Donations of employees on loan

Where a company provides an employee to work for a charity on secondment or a temporary basis, the company can continue to deduct the costs of the employment, including the employee's salary, in its accounts.

Volunteering

Around one in five employees work for employers that support schemes for volunteering, and of these employees, two fifths participate – equivalent to approximately 1.5 million people. If employees are volunteering in work time, then the company can claim tax relief for the employment costs that they continue to incur. All they need to do is treat the costs incurred to the company as a result of the volunteering (for example, the person's salary) as a business expense when calculating chargeable profits for Corporation Tax purposes.

Sponsorship

Sponsorship is a complex area for tax purposes. A company can get a tax deduction for payments to sponsor charitable activities if they are also made for the purpose of the company. This might be a payment to get publicity for the company or its products that can be regarded as a reasonable value for the amount paid. The position will depend on the facts in each case. Companies should contact their tax advisers or their tax office for advice.

Setting up and promoting Payroll Giving

Agreeing to run a Payroll Giving scheme for its employees or to re-promote an existing scheme is an excellent way for companies to inspire a giving culture in the workplace. The costs of setting up and running a scheme are minimal and deductible for tax purposes.

Further Information

For further information, please see
www.payrollgivingcentre.org.uk

Where to get further information

Institute of Fundraising

The Institute of Fundraising is the professional membership body for UK fundraising. The Institute's mission is to support fundraisers, through leadership, representation, standards setting and education, to deliver excellent fundraising. The Institute is a charity registered in England and Wales (No 1079573) and Scotland (No SC038971), and a company limited by guarantee (No 3870883). VAT registration number 547 8930 96.

Institute of Fundraising

Park Place, 12 Lawn Lane,
London SW8 1UD

Tel: 0845 458 4586

taxback@institute-of-fundraising.org.uk
www.institute-of-fundraising.org.uk

Remember A Charity

Remember A Charity is a consortium of many charities working together to promote the benefits of charitable legacies.

Remember A Charity, Ground Floor, Park Place, 12 Lawn Road, London SW8 1UD

Tel: **020 7840 1030**

www.rememberacharity.org.uk

Wales Council for Voluntary Action

Wales Council for Voluntary Action (WCVA) is the voice of the voluntary sector in Wales, representing and campaigning for voluntary organisations, volunteers and communities.

WCVA, Baltic House, Mount Stuart Square, Cardiff Bay, Cardiff CF10 5FH

Tel: **029 20431700**

Minicom: **029 20431702**

Email: **enquiries@wcva.org.uk**

www.wcva.org.uk

Charity Commission

The Charity Commission for England and Wales is the statutory organisation that regulates charities and aims to give the public confidence in the integrity of charity.

Charity Commission, Harmsworth House
13-15 Bouverie Street, London EC4Y 8DP

Tel: **0870 333 0123**

Minicom: **0870 333 0125**

www.charity-commission.gov.uk

Payroll Giving Centre

An independent online resource centre for Payroll Giving, run by the Institute of Fundraising, funded by HM Government.

Payroll Giving Centre, PO Box 52709,
London EC3P 3WX

Tel: **0845 602 6786**

Email: **info@payrollgivingcentre.org.uk**

www.payrollgivingcentre.org.uk

National Council for Voluntary Organisations

The National Council for Voluntary Organisations (NCVO) provides free information, signposting and services for trustees, staff and volunteers in the voluntary sector through the Voluntary Sector Helpdesk and the NCVO website.

NCVO, Regents Wharf, 8 All Saints Street,
London N1 9RL

Tel: **020 7713 6161**

Minicom: **0800 0188 111**

www.ncvo-vol.org.uk

Charities Aid Foundation

The Charities Aid Foundation (CAF) is a registered charity which offers charitable and financial services to help donors make the most of their giving and non-profit organisations make the most of their resources, both in the UK and overseas.

Charities Aid Foundation, Kings Hill,
West Malling, Kent ME19 4TA

Tel: **01732 520 000**

Fax: **01732 520 001**

www.CAFonline.org

www.allaboutgiving.org

ShareGift

ShareGift is a registered charity which specialises in charitable share donation. It will accept small numbers of unwanted shares and can also help with larger donations where a donor has a particular charity in mind.

ShareGift, 17 Carlton House Terrace,
London SW1Y 5AH

Tel: **020 7930 3737**

Fax: **020 7839 2214**

www.ShareGift.org

HMRC Charities

HMRC Charities deals with the tax affairs of charities and the tax reliefs to encourage people and companies to give to charity. They process the repayments of Gift Aid to charities and provide guidance to charities and donors on the various forms of tax-effective giving.

HMRC Charities, St John's House,
Merton Road, Bootle, Merseyside L69 9BB

Tel: **0845 302 0203**

Email: **charities@inlandrevenue.gov.uk**

www.hmrc.gov.uk

Other Publications from the Institute of Fundraising

The Good Fundraising Guide

A comprehensive overview of the fundraising process

ISBN 978-1-874541-03-5

The Trustees Guide to Fundraising

An essential guide for every charity trustee

ISBN 978-1-874541-06-6

To order your copy contact the Institute of Fundraising on

020 7840 1010 or email **enquiries@institute-of-fundraising.org.uk**



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www.tax-effectivegiving.org.uk

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