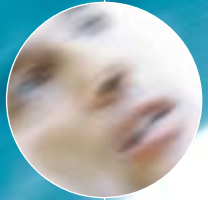


Making gifts **go further**

A Guide to Tax-Effective Giving



Almost 70% of the population in the UK makes a regular donation to charity, but only a small proportion do so tax-effectively. As a result donors and charities alike are missing out on millions of pounds in very generous tax reliefs. This leaflet introduces the main tax-effective ways of giving to charity.



giftaid it

Using Gift Aid means that for every pound donated, the charity gets an extra 28% from the Inland Revenue. The donor just needs to pay enough tax to cover the amount reclaimed and give a simple Gift Aid declaration to the charity. The charity then claims back the basic rate income tax paid by the donor. If the donor is a higher rate taxpayer, they can claim personal tax relief on the gross amount of the gift, worth 23 pence for every £1 donated.

Basic rate taxpayer

Donation to charity	£100
Amount reclaimed by charity from Inland Revenue	£28
Total amount received by charity	£128
Cost to donor to give £128 to charity	£100

Higher rate taxpayer

Donation to charity	£100
Amount reclaimed by charity from Inland Revenue	£28
Total amount received by charity	£128
Amount reclaimed by donor in tax return	£23
Cost to donor to give £128 to charity	£77

Who can use Gift Aid?

Anyone who has paid enough income tax or capital gains tax in the current financial year to cover the amount reclaimed by the charity can use Gift Aid. So, a donor giving £100 needs to have paid at least £28 income tax or capital gains tax.

How does it work?

The donor needs to complete a simple declaration, giving the charity their name, full address and an acknowledgement that they are aware of the requirement to have paid enough tax. This can be done by giving a simple declaration in writing, over the phone or online. Higher rate taxpayers can reclaim 18% personal tax relief (the higher rate, 40%, minus the basic rate, 22%) on their donation. This works out at 23 pence for every pound donated. From April 2003, donors will be able to claim this relief early in their tax return for the previous year, rather than wait until they complete the return for the year the gift was made. Below is an example of the simple declaration that the donor has to give to use Gift Aid:

Sample Declaration (used together with name and address)

I want (insert name of charity) to Gift Aid all donations I've made since 6 April 2000 and all future donations until I notify you otherwise. I confirm that the amount I have paid in income tax or capital gains tax in the tax year will at least equal the amount the charity will claim.

■ PAYROLL GIVING

When donors use Payroll Giving the gift comes from their salary before they are taxed. So a monthly gift of £20 will cost a basic rate taxpayer only £15.60 from their net pay and a higher rate taxpayer only £12.

Donor's monthly pledge	£20
Cost to basic rate taxpayer (22%)	£15.60
Cost to higher rate taxpayer (40%)	£12

Who can use Payroll Giving?

Anyone who is paid through PAYE can use Payroll Giving to donate to charity. It can also be used by donors who receive a company pension. However, the employer has to have a Payroll Giving scheme in place to allow their employees to make donations in this way.

How does it work?

The donor completes a simple form provided by their employer, nominating the charity or charities they want to support and the amount they want to donate to each. The employer then deducts the donations from the donor's salary and arranges for them to be sent via a Payroll Giving Agency to the nominated charities. Payroll Giving Agencies are charities that administer Payroll Giving for employers, reducing the administration required for the scheme.

Donors can give regularly, for each pay period whether monthly or weekly, or they can donate a one-off gift. They also have complete flexibility to change the amount they give and the charities they are supporting.



■ SHARE GIVING

Giving shares and securities to charity has long been a useful way of unlocking capital and passing it on to good causes. Since April 2000, donations made in this way have been eligible for full personal income tax relief **as well as** exemption from capital gains. A gift of £1,000 listed shares could reduce a basic rate taxpayer's income tax bill by £220 and a higher rate taxpayer's by £400. In addition, no capital gains tax is payable on gifts of shares to charity. Similar relief also applies to donations of land or buildings.

Who can use Share Giving?

Any UK taxpayer who holds listed shares, unit trusts or OEICs can donate them to charity and claim personal tax relief. Non UK taxpayers can also donate shares but are not eligible for tax relief.

How does it work?

Donors can claim income tax relief equal to the market value of the shares on the day the gift is made, plus any associated costs such as brokers' fees. If a higher rate taxpayer gives a charity £1,000 worth of shares they will be able to claim a reduction of £1,000 in their taxable income when they fill in their tax return for that year, reducing their tax bill by £400. No capital gains tax is payable on any increase in the value of the shares. In theory this could mean a further 'saving' of up to 40%. However, where shares have fallen in value the loss cannot be used to offset a CGT liability.

Value of shares donated	£1000
Income tax relief for higher rate taxpayer	£400
Potential capital gains saving	£400
'Cost' to the higher rate taxpaying donor	£200



■ **Some illustrative examples:**

Helen gave her building society windfall shares, worth £700, to GMTV's Get Up and Give Appeal.

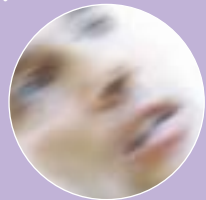
"The only time I ever remembered my windfall shares was when I had to do my tax return. It was a great way to give without actually writing out a cheque".

Angela owned shares worth £25,000 in a High Street bank. She discussed matters with her financial adviser and decided to give them to charity.

"I was keen to get income tax relief as a result of my donation. Donating the shares would also help me to tidy up my portfolio".

Alan and his family used shares from an inheritance to set up a charitable fund operated by the Greater Bristol Foundation.

"This way I can dispose of shares without paying capital gains tax, and I can offset it against taxed income. It's win, win really. It gives more money to you and to the charity".



Shares or cash?

Whether the donor gives shares or gives cash through Gift Aid will depend on their individual tax situation and whether they want the charity or themselves to get the greatest benefit.

Giving shares: the practicalities

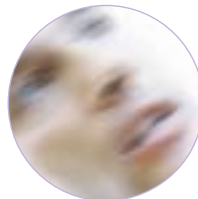
Donors are best advised, in the first instance, to approach the charity they want to give to, as many charities will arrange the transaction or offer guidance. Alternatively, donors can approach ShareGift, the Charities Aid Foundation or Community Foundation Network, who specialise in helping donors give their shares to charity.

■ LEGACIES

Charitable legacies are donations made as part of a will. They are paid before inheritance tax is deducted, reducing the total amount of tax paid on the estate. The gift can be a specific amount or the residue of an estate, ie, what is left after all bequests, debts and expenses have been settled. Legacies can be set up through a solicitor or the Charities Aid Foundation.

■ TRUSTS

A charitable trust is a way to provide support for causes during and beyond the donor's lifetime. Contributions can be made in ways that attract the full range of tax reliefs. A personal charitable trust can be set up privately through a solicitor or through the Charities Aid Foundation, who will invest the trust funds and make grants to charities determined by the donor from time to time. Clients with local interests can establish a fund within their local Community Foundation.



■ **If you would like more copies of this leaflet, or more information on tax-effective giving, contact:**

The Giving Campaign

www.givingcampaign.org.uk

The Giving Campaign (July 2001 - June 2004) was established to encourage a stronger culture of giving in the UK and increase the amount of money donated to charity. The Campaign website remains as an online resource centre showing you how to make your charitable giving go further for the causes you care about.

■ **Other organisations who can help:**

Inland Revenue

0845 302 0203 www.inlandrevenue.gov.uk

Provides guidance to donors and charities on the various tax reliefs available for giving to charity.

Remember A Charity

020 7930 2620 www.rememberacharity.org.uk

A partnership of many charities working together to promote the benefits of charitable legacies.

ShareGift

020 7337 0501 www.ShareGift.org

A registered charity which specialises in share donation.

Charities Aid Foundation

01732 520000 www.allaboutgiving.org

Offers services which enable donors to give shares, cash, assets and payroll donations tax-effectively to the charities of their choice.

Community Foundation Network

020 7713 9326 www.communityfoundations.org.uk

A network of local foundations providing opportunities for donors who want to support their local community.

