

# Pembrokeshire Association of Voluntary Services

Your local county voluntary council

## 7. Finding and getting money

### 7.10 Tax effective giving



Using tax effective giving methods allows charities to maximise the value of their income. Most people give money to charity at some point but not all make the most of the generous tax relief which is available.

#### **Gift Aid**

Gift Aid provides charities in Wales with more than £15,000,000 each year in unrestricted, additional income.

Gift Aid works by allowing charities to take a donation (which is money that the donor has already paid tax on), and then reclaim tax on its 'gross' equivalent (its value before tax was deducted) at the basic rate. This is 20 per cent from 6 April 2008.

In practice this means that for every pound donated to charity using Gift Aid the charity can claim an additional 25 pence from HM Revenue and Customs (HMRC). In addition HMRC will automatically pay the charity a further 3 pence for every pound Gift Aid donation it receives between 6 April 2008 and 5 April 2011; this transitional relief has been provided by Government to allow charities to adjust to the fall in basic rate tax (from 22 per cent to 20 per cent) from 6 April 2008. This means that for every pound donated under the Gift Aid scheme the charity will continue to receive 28 pence.

Gift Aid can apply to one-off donations or to a series of regular donations. Once registered with the HMRC to reclaim the tax, the administration is simple. Donors provide evidence that they would like the charity to reclaim the tax relief on their gifts and the charity claims the tax relief on behalf of the UK income tax paying donors.

#### **Gifts from businesses**

Corporate support is out of reach for many small or regional charities though lucrative opportunities exist from establishing working relationships with local businesses and other localised employers.

Companies can access tax relief in various ways when they give to charity. In simple terms, the value of the gift can be deducted from the company's annual profits; reducing the corporation tax paid in that year. The value of the gift can be considered in terms of currency, market value of the items or even staff time.

The benefits vary as do the different options available to them which include; gifts of cash, sponsorship, shares, materials, equipment, gifts in kind such as services, advice and staff time, secondments and volunteering opportunities.

## Payroll gifts

Definition: 'a means by which employees may contribute to charity through their employer's payroll'.

Currently valued at around £90 million per year (UK), the sector benefits greatly from this regular, reliable and unrestricted source of income. It is easy to set up and donations often continue for many years or until the individual's employment ceases. The average monthly gift is £8.

This form of committed giving provides real incentives for donors as they receive immediate tax relief on their monthly gifts.

Payroll Fundraising involves building relationships with local employers to promote the cause to its employees, this method of fundraising often leads to new supporters and many other indirect benefits.

## Legacy gifts

A bequest from a donor's will is one of the more traditional forms of giving to charity and remains a very significant source of income. Many charities and religious organisations are reliant on these.

Charitable legacies reduce the total amount of inheritance tax due from the estate. Legacies are left through the donor's will or simply by a declaration to the executors with instructions as to how and to which charity the legacy gift is to be distributed.

## Gifts of Shares

The average share gift is £7,000 and more than eleven million people in the UK own shares of various quantities. Fundraising for shares is clearly a valuable option.

The main incentive to give shares is that it can cost donors less to give shares than it costs them to give cash, the donor can also receive the tax relief for their own personal benefit.

Donors giving shares to charity are entitled to claim the full tax relief equal to the market value of the shares and any associated costs such as brokers' fees. With higher rate income tax and capital gains tax currently at 40%, this can be a substantial amount of money.

### Steps to consider when giving shares:

There are some basic steps that donors will need to take when giving shares, they are:

1. To contact the charity they wish to give shares to.
2. Requests a Stock Transfer Form from the Registrar of Shares identified on the certificate.
3. Transfer the Share Certificate to the charity.
4. Claim the appropriate tax relief using a Tax Return.

If your donors have any doubts about the process of giving shares to charity, it is best that they contact a professional adviser, such as an Independent Financial Advisor, accountant or solicitor.

## Further information

Giving Wales

Tel: 0800 2888 329

[help@wcva.org.uk](mailto:help@wcva.org.uk)

[www.wcva.org.uk/givingwales](http://www.wcva.org.uk/givingwales)

Charities Aid Foundation

[www.cafonline.org](http://www.cafonline.org)

Charity Commission for England & Wales

Tel: 0870 333 0123

[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

HM Revenue and Customs

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Institute of Fundraising

[www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk)

### For further information contact

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