

# Voluntary Action Merthyr Tydfil

Your local county voluntary council



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## 7. Finding and getting money

### 7.10.1 Introduction to payroll giving

#### What is Payroll giving?

Enables employees to give to charity through their employer's payroll before tax is deducted so a £10 donation will cost a basic rate taxpayer £8, a higher rate taxpayer only £6 and the highest rate taxpayer only £5.

It is a tax-effective way for an employee to give regularly 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 still great potential for further growth. In 2009/10 £106 million was given to charity by payroll givers.

#### What are the benefits?

##### For charities

- Regular, reliable, sustainable income stream enables easier financial planning.
- Low administrative burden.
- Encourages long-term donors. Once a donor has agreed to make a donation, it is likely they will continue to support your charity for several years to come.
- Develops relationships with donors

##### For donors

- Pre-tax donations mean it costs less to give. The average payroll donation is £7-10 per donor per month.
- Easy to set up and keep giving regularly.
- Donors can support a number of charities

##### For employers

- Simple and inexpensive to set up and run
- Through the Payroll Giving Quality Mark Scheme, demonstrates corporate social responsibility and commitment to causes that employees care about
- A more positive employee view of the organisation which can increase employee retention, employee morale and build a stronger sense of team participation.
- A way to give back to the community and enhance public image.
- All payments to charities are dealt with by a Payroll giving agency.

- Complement an employer's existing volunteering or charity adoption scheme by offering employees additional opportunities to give.
- Employers who match Payroll giving donations give their employees a say in which causes the organisation supports.

## 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 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 £5 for the highest rate tax payers, £4 for higher rate tax payers and £2 for basic rate taxpayers.

Gift received by charity	Basic rate tax payer (20% tax)		Higher rate tax payer (40% tax)		Highest rate tax payer (50% tax)	
	Tax relief	Cost to donor	Tax relief	Cost to donor	Tax relief	Cost to donor
£5.00	£1.00	£4.00	£2.00	£3.00	£2.50	£2.50
£10.00	£2.00	£8.00	£4.00	£6.00	£5.00	£5.00
£20.00	£4.00	£16.00	£8.00	£12.00	£10.00	£10.00
£100.00	£20.00	£80.00	£40.00	£60.00	£50.00	£50.00

## 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.

## The Payroll giving agency (PGA)

Payroll giving agencies are registered charities that are regulated by HM Revenue & Customs. They receive donations and send money to chosen charities each month. 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. Most PGAs make a small administration charge, which is deducted from employees' donations before they are sent on to the nominated charities, however WCVA operates a payroll giving scheme in conjunction with Charitable Giving whereby WCVA will pay

the administration charge for employers in Wales. This means that all of an employee's donation will go to their chosen charity.

For more information on the Charitable Giving scheme see <https://www.charitablegiving.co.uk>

## Getting started with payroll giving

There are four simple steps for an employer to get started with payroll giving:

### 1. Register

Download an Employer's Pack from the Charitable Giving website, complete and return the simple contract to Charitable Giving. In response to Clause 3 "It is agreed that the administration charge will be paid by...", tick "Another organisation" and enter WCVA in the box. WCVA will pay the administration charge so all of an employee's donation will go directly to their chosen charity.

Download an Employer's Pack at:

<https://www.charitablegiving.co.uk/forms/employersPack.pdf>

### 2. Promote:

Distribute Donation Choice Forms to employees, for example, with employee payslips. Inform employees using emails, articles, talks etc.

There are three main ways to promote Payroll Giving:

- **Do It Yourself**

You can promote Payroll Giving in your own organisation; with businesses you have contacts with, such as suppliers; with businesses your Trustees have links with; and with your corporate supporters. 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. For more information on this approach see Information Sheet 7.10.2 Payroll fundraising.

- **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. For further information on this approach see Information Sheet 7.10.3 Payroll giving consortia.

- **Professional Fundraising Organisations (PFOs)**

Professional Fundraising Organisations 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](http://www.apgo.org.uk).

### **3. Deduct from pay**

Deduct the monthly gifts from each employee's gross pay before tax and make a payment to Charitable Giving

### **4. Give to charity**

Charitable Giving will distribute the funds to the charities nominated by the employees.

### **Who is eligible?**

Any employee paid (including those paid from their pension) via a company payroll with an active payroll giving scheme, can support their nominated charities in this way.

### **How do employees sign up?**

Simply complete a Donation Choice Form distributed by the employer and state how much is to be deducted each month.

Once completed, the forms can be given to the Payroll Officer or if the employee would prefer to keep the instructions confidential, they can send the form directly to Charitable Giving.

The same form can be used to begin Payroll giving, to cancel an instruction, or to make alterations to their instruction.

### **Payments**

The charities nominated by participating employees will receive their payroll gifts one month following the payroll month within which the payroll gifts was deducted. The PGA will forward the donations via BACS or cheque.

### **Three forms of Payroll giving**

Employers approached by charities may have Payroll giving schemes in place, fundraisers should be aware that schemes can exist in three forms:

1. Employees have the choice of charity nomination though the scheme is not tax effective (not involving a PGA).

2. Employees do not have the choice of charity nomination and the scheme is not tax effective (not involving a PGA).
3. Employees have the choice of charity nomination and the scheme is tax effective (involving a PGA).

## **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, it is an incentive for organisations to offer Payroll Giving.

The scheme provides employers with a certificate and logo for signing up to Payroll Giving and a Bronze, Silver or Gold Award for those that achieve target employee participation rates. Awards are distributed annually.

In 2007, the National Payroll Giving 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.

To find out more, visit the independent online resource centre for Payroll Giving at [www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk).

## Further information

### Giving Wales

Helpline 0800 2888 329

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

### Payroll Giving Scheme

[www.charitablegiving.co.uk](http://www.charitablegiving.co.uk)

### Institute of Fundraising

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

### HMRC Charities

Helpline 0845 302 0203

[charities@hmrc.gov.uk](mailto:charities@hmrc.gov.uk)

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

### Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it. ?

### For further information contact

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