

# Wales Council for Voluntary Action

Supporting charities, volunteers and communities

## 7. Finding and getting money

### 7.10.1 Introduction to payroll giving



### What is Payroll giving?

*'A means by which employees may contribute to charity through their employer's payroll'.*

The addition to the process is that the donations are administered by outside agencies called Payroll giving agencies (PGA). WCVA operates a Payroll giving scheme without charge for employers in Wales through its partnership with South West Charitable Giving.

### What are the benefits?

#### For charities

- Reliable donation stream enables easier financial planning.
- Low administrative burden.
- Encourages long-term donors.

#### For donors

- Pre-tax donations mean it costs less to give.
- Easy to set up and keep giving regularly.

#### For employers

- 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.

- Easy and low-cost to administer.
- 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

Gifts through Payroll giving are tax effective, which means that it will cost the donor less to give more; a proportion of the gift is actually the tax, which would have been paid to the Treasury.

e.g. A gift of £5.00 will actually cost the donor £4.00.

Gift received by charity	Basic rate tax payer (20% tax)		Higher rate tax payer (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
£50.00	£10.00	£40.00	£20.00	£60.00

## **The Payroll giving agency (PGA)**

Payroll giving agencies are not-for-profit organisations registered with HM Revenue & Customs. The PGAs, of which there are currently seven across the UK, distribute the employee Payroll Gifts to their nominated charities, using the employee sign up forms as the instruction from the participating employees.

The PGA enters into a simple contract with various employers to administrate these schemes. Other PGAs charge a small fee for the administration (3% - 6% of the donations) though WCVA's scheme currently free.

## **The Payroll giving scheme**

Any employer with a company payroll and its own PAYE reference number can offer Payroll giving to its employees.

The four steps below illustrate how employers can implement Payroll giving:

### **1. Register**

Request, complete and return the simple contract to the PGA.

### **2. Promote:**

Obtain employee sign up forms from the PGA and distribute internally with the employee payslips. Inform employees using emails, articles, talks etc. Call 0800 2888 329 for the information pack and promotional materials.

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

Deduct the monthly gifts from each employee's gross pay before tax, this will ensure that the gift is tax effective.

The total deductions will then be paid to the PGA within the following month, with a list of all participating employees.

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

The PGA 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.

Between five and seven million people currently have access to a scheme with 578,000 currently giving.

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

Simply complete one sign up 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 the PGA.

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 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 a Bronze, Silver and Gold Award as a reward for its employee participation in the scheme.

## Further information

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[cymru@institute-of-fundraising.org.uk](mailto:cymru@institute-of-fundraising.org.uk)  
[www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)  
[www.payrollgivingcentre.org.uk](http://www.payrollgivingcentre.org.uk)

HM Revenue & Customs/ Charities  
Merton Road, Bootle  
Merseyside, L69 9BB  
Tel: 0845 302 0203  
[www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities)

### Disclaimer

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### For further information contact

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