

## Tax efficient giving

| Method                                                    | Tax Relief                                                                                                                                                                                                                                                                                    | Other points                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Gift Aid                                                  | <p>The charity can claim an extra 25p for every £1 the donor gives.</p> <p>Higher or additional rate taxpayers can also reclaim up to an extra 25p or 31p per £1 donated.</p>                                                                                                                 | <ul style="list-style-type: none"> <li>• The donor must pay enough Income Tax and/or Capital Gains Tax (CGT) to cover the Gift Aid claimed on all of their donations</li> <li>• The donor must make a Gift Aid declaration for each charity to which they want to donate. Declarations can include all donations from the last four tax years and can cover future donations</li> <li>• The donor must tell the charity if they haven't paid enough tax to cover the Gift Aid or they may have to pay the difference</li> <li>• Higher and additional rate tax payers can make an additional reclaim of tax either through their Self-Assessment Tax Return (or by asking HMRC to amend their tax code)</li> </ul> |
| Donating from wages or pension (Payroll Giving)           | <p>Donations are made before tax is deducted from the donor's income.</p> <p>The donor can give £1 to charity at a cost of:</p> <ul style="list-style-type: none"> <li>• Basic rate taxpayers: 80p</li> <li>• Higher rate taxpayers: 60p</li> <li>• Additional rate taxpayers: 55p</li> </ul> | <ul style="list-style-type: none"> <li>• Donations can be made straight from wages or pension if the donor's employer, company or personal pension provider runs a Payroll Giving Scheme</li> <li>• Compared with Gift Aid, the charity does not have the administrative burden of collecting declarations and the donor gets automatic tax relief at source. The overall tax saving is the same as with Gift Aid but donors need to be mindful that the same net donations are worth less to the charity. For example, a higher rate taxpayer could either donate £1 under Gift Aid or £1.25 from their payroll – in both cases the charity would receive £1.25 at a net cost of 75p to the donor</li> </ul>      |
| Loaning funds to a charity (Social Investment Tax Relief) | <p>30% of the amount loaned to the charity is deductible from the lender's taxable income in the tax year of the loan.</p>                                                                                                                                                                    | <ul style="list-style-type: none"> <li>• The loan must be held for at least 3 years</li> <li>• The charity must have fewer than 250 employees and gross assets of no more than £15 million</li> <li>• There are various other qualifying conditions</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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| <p>Gifts to the nation</p>                                       | <p>30% of the value of the object (20% for companies) is deducted from the donor's tax bill for the year.</p> <p>No Capital Gains Tax (CGT) is payable on the disposal, potentially saving 20% on the gain.</p>                                                                                                                                           | <ul style="list-style-type: none"> <li>• The gift must be a "pre-eminent object" (e.g. a work of art)</li> <li>• An expert panel must agree the value of the object</li> <li>• The donor can indicate which charity they would like to donate the object to, but ultimately the Secretary of State for Culture, Media and Sport will decide based on the advice of the expert panel</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>Business deductions</p>                                       | <p>Gifts of certain plant and stock, and sponsorship payments to local charities can be deducted from taxable profits.</p>                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>Donating land and buildings property or qualifying shares</p> | <p>The market value of the asset is deductible from the donor's taxable income for the tax year of the gift, a tax saving of 20–45% of the value of the gift.</p> <p>No CGT is payable on the disposal, potentially saving 20% on the gain (28% for residential property).</p> <p>Hence, Gift of shares/land can be more tax efficient than Gift Aid.</p> | <ul style="list-style-type: none"> <li>• The donor can claim the income tax relief on their Self Assessment tax return</li> <li>• If the donor sells assets to a charity at less than market value, the difference between the sale proceeds and market value can be treated as a donation. If the asset is sold at the donor's tax base cost, no CGT will be payable either</li> <li>• Legal documentation of the donation must be kept by the donor for 22 months following the end of the tax year of the donation. The donor can also claim tax relief if they sell the asset directly on behalf of the charity as long as they keep records of the charity's request to do this</li> <li>• As an example, a highest rate taxpayer who bought shares in a listed company 20 years ago for £1 decides to give them to a charity when they are worth £10,000. This potentially saves £4,500 off their current year tax bill, plus £2,000 CGT they would have paid if they had sold the shares. Hence the gift of £10,000 to the charity only costs £3,500 to the donor. The charity can then sell the shares tax free</li> </ul> |

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| <p>Leaving to charity in a will (legacies)</p> | <p>Gifts to charities are deductible from the value of the donor's estate, saving up to 40% Inheritance Tax (IHT).</p> <p>In addition, the rate of IHT on the remaining estate can be reduced from 40% to 36% if 10% or more of the net estate (after the nil rate band and other costs) is left to charity.</p> <p>Increasing charitable gifts may financially benefit the remaining beneficiaries.</p> | <ul style="list-style-type: none"> <li>• Donations in a will can either be cash or assets</li> <li>• The beneficiaries may change the will by completing a deed of variation (within two years of death) in order to donate more to charity. This can be used to make enough donations to achieve the reduced rate of IHT</li> <li>• For example, say an individual has an estate worth £475,000 (after costs) and leaves £10,000 to charity and the rest to his niece. The nil rate band is £325,000. The remainder to the niece would be subject to IHT (40% rate) of £56,000 leaving her with £409,000. If the niece instead made a deed of variation to leave £15,000 to charity, she would pay IHT (36% rate) of £48,600 leaving her with £411,400</li> </ul> |
| <p>Secondments and corporate volunteering</p>  | <p>Where:</p> <ul style="list-style-type: none"> <li>• Employees are transferred temporarily to work for a charity; or</li> <li>• Employees volunteer during work time</li> </ul> <p>The company can deduct the employee's costs as normal business expenses.</p>                                                                                                                                        | <ul style="list-style-type: none"> <li>• The company must continue to remunerate the employee under Pay As You Earn</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>Gift Aid Small Donations Scheme</p>         | <p>The charity can claim an extra 25p for every £1 on collections of small cash donations without needing declarations from the donors.</p>                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• Only individual cash or contactless donations of £30 or less are eligible</li> <li>• There is a limit of £8,000 per charity or community building per tax year</li> <li>• The charity must have also claimed regular Gift Aid on other donations in the same tax year</li> <li>• There are various other qualifying conditions</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                 |

## How can we help?

Our team can advise you or your charity on tax efficient giving and various other tax aspects.

Our services include:

- Bespoke Gift Aid workshops for both in-house fundraising and finance teams
- Advice on setting up and operating Gift Aid and other tax efficient giving
- Tax and VAT health-checks

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