



Make your gifts go further

An introduction to tax-efficient giving

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Almost 70% of the population in the UK give to charity, but only one in three do so tax-efficiently. As a result donors and charities alike are missing out on millions of pounds in very generous tax reliefs. These range from relief for leaving money to charity in a will, to the tax benefits associated with giving shares and other assets.



Keeping our clients informed

For many clients charitable giving is an important part of their financial planning. We recognise the need to ensure you have informed advice – about the tax breaks and incentives – to help you take a planned approach to your giving.

This guide has been produced by CAF (Charities Aid Foundation) to introduce you to the main tax-efficient ways of giving to charity.

CAF is the not-for-profit organisation which is committed to effective giving, providing a range of special services to donors, companies and charities in the UK and internationally.

Gift Aid

Make sure every gift you make to charity is a Gift Aid donation. Using Gift Aid means the charity will receive an extra 28%.

When you make a Gift Aid donation to charity, it is treated as net – ie after tax has been deducted. For example if you give £100, tax can be reclaimed and added to your donation making it worth £128 to the charity.

Basic rate taxpayer

| | |
|---|------|
| Your donation to charity | £100 |
| Amount reclaimed by charity from Inland Revenue | £28 |
| Total amount received by charity | £128 |
| Cost to you to give £128 to charity | £100 |

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 if you give £100 you need to have paid at least £28 in Income Tax or Capital Gains Tax.

How does it work?

You need to complete a simple declaration for the charity. This can be done in writing, over the phone or online. The declaration can apply to all past donations you have made (since April 2000) and to all future donations you make.

Additional benefits

Gift Aid can also be used to pay certain charitable subscriptions and membership fees, for instance for heritage charities.



CAF Charity Account

The CAF Charity Account works like a current account. It is completely tax efficient, and with a CharityCard and 'chequebook' you can make donations at any time by post, standing order, online, by phone or in person.

You can fund your account in a variety of ways, by cheque, credit/debit card payments or by gifts of stocks and shares. You can also fund your account regularly by a monthly Direct Debit. You can also fund a separate CAF Charity Account through CAF's payroll giving scheme, Give As You Earn.

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What if I'm a higher-rate taxpayer?

As a higher-rate taxpayer, you can claim 18% personal tax relief (the higher rate, 40%, minus the basic rate, 22%) on the gross value of your donation. This works out at £23 for every £100 you donate.

Higher-rate taxpayer

| | |
|---|------|
| Your 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 you to give £128 to charity | £77 |

To reclaim the 18% tax relief simply include details of all your Gift Aid donations on your Inland Revenue Self Assessment form. You can include donations made in the current tax year as well as for the year you are completing your return.

Many clients choose to donate the 18% they reclaim to charity, which is also eligible for Gift Aid.

Trusts

A charitable trust can provide a sustainable source of support for charitable causes during and also beyond your own lifetime. It provides a framework under which funds are invested and grants made to charities. You can fund your trust in ways that attract the full range of tax reliefs.

Trusts can be set up in a number of ways and need to fulfil certain requirements, including defining who are to be the trustees and the causes that the trust intends to support. Setting up a trust typically needs professional help.

CAF Trust

A CAF Trust is an easy way to support your causes over the long term. There are no set-up, legal, examiners' or accountants' fees and no need to appoint your own trustees. You can share the grantmaking decisions with members of your family and, if you nominate a successor, your trust can last indefinitely.

As an invested fund it can provide the means for you to grow your capital and distribute the income to your favourite charities. You can donate cash, shares or land to establish your trust or build up the capital tax-efficiently, in stages through regular Gift Aid or Give As You Earn payments.

Legacies

Charitable legacies are donations made as part of your will. They are paid before inheritance tax is deducted, reducing the amount of tax paid on the estate.

The gift to a named charity or charities can be a specific amount or the residue of an estate (ie what is left after all bequests, debts and expenses have been settled).



CAF Legacy Account

The CAF Legacy Account enables you to change the charities you wish to support at any time during your life, without changing your will.

Alternatively, your gift could be used to create a CAF Trust to enable your giving to continue beyond your lifetime.

Share giving

Giving shares to charity is a great way of unlocking capital and passing it on to good causes. Gifts of shares are eligible for full personal Income Tax relief and exempt from Capital Gains Tax relief. If you are a basic-rate taxpayer, a gift of £1,000 of listed shares could reduce your Income Tax bill by £220. If you are a higher-rate taxpayer it could reduce your bill by £400.

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| Value of shares donated | £1,000 |
| Income Tax relief for higher-rate taxpayer | £400 |
| Potential Capital Gains saving | £400 |
| 'Cost' to the higher-rate taxpaying donor | £200 |

Similar reliefs also apply to gifts of land or buildings.



Who can give shares tax-efficiently?

If you are a UK taxpayer who holds listed shares, unit trusts or OEICs you can donate them to charity and claim personal tax relief.

How does it work?

You 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. 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 Capital Gains Tax liability.

Giving shares and other assets

CAF can help you give your assets tax-efficiently to charity. If you wish to give shares, land, property or works of art, CAF can sell them and place the proceeds in your CAF Charity Account or CAF Trust.

Payroll giving

If you are able to give through your payroll, your gift is made from your salary before it is taxed. So a monthly gift of £20 will cost a basic-rate taxpayer only £15.60 from their net pay or if you are a higher-rate taxpayer only £12.

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|------------------------------------|--------|
| Your monthly pledge | £20.00 |
| Cost to basic-rate taxpayer (22%) | £15.60 |
| Cost to higher-rate taxpayer (40%) | £12.00 |

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 pension through PAYE. However, your employer must have a payroll giving scheme in place for their employees to make donations in this way.

How does it work?

You complete a simple form provided by your employer, nominating the charity or charities you want to support and the amount you want to donate to each. Your employer will then deduct the donations from your salary and arrange for them to be sent to the nominated charities.

Give As You Earn

CAF's payroll giving scheme, Give As You Earn, is the largest in the UK. Unlike other schemes it enables you to give directly to your favourite charities or open and fund a CAF Charity Account or CAF Trust. CAF can confirm if your employer is currently registered with Give As You Earn.

Other ways CAF can help

Giving to charities abroad

Sometimes you may want to support charitable work overseas. If a charity is not registered in the UK, you would not normally be able to support it tax-efficiently. If you hold a CAF Charity Account or CAF Trust and fund it by Gift Aid, we will check the charity's status and – if eligible – enable you to support it tax-efficiently.

Giving anonymously

CAF can help manage your giving anonymously.

Guiding your giving

CAF can help you find organisations which work in areas you care about. This could be through providing a simple search tool like a web-based database, or by offering a consulting service.

Our advice and information can help inform your giving decisions. By researching the social issues that interest you we can clarify your giving objectives and compile a report of charities which match your interests.

CAF – helping you help others

If you wish to find out more about CAF's services please contact us:

T: 01732 520 050

E: giving@cafonline.org

W: www.cafonline.org/giving





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Charities Aid Foundation, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA

T: 01732 520 000 F: 01732 520 001

W: www.cafonline.org E: enquiries@cafonline.org

Registered Charity Number 268369