

Stewardship Forum

An evangelical alliance Partnership for Change

Stewardship Tools for Fundraisers : Giving Matters

Title: Tax Effective Giving - A Charity Perspective

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Tax effective giving schemes are run by the Inland Revenue and the government allowing people to make tax free gifts to charities. Many churches are registered charities. It is well worth encouraging people to give tax effectively as it:

- ❖ Optimises people's giving, increasing the value of their gift by at least 28%
- ❖ Has the potential to significantly increase a church or charity's income.

Changes to Tax Effective Giving

With effect from 6 April 2000 it became much simpler to give tax effectively to charities. It is now possible for income tax to be reclaimed on donations to charities regardless of amount, regularity or method of payment, provided the charity can show an audit trail from the donation to the donor (i.e. church member).

- ❖ The old Gift Aid certificates and covenant claim forms (R68A) have been replaced by Gift Aid Declarations.
- ❖ A declaration can cover single or multiple donations and can be made in advance, at the time, or up to six years after a donation.
- ❖ Both oral (telephone or verbal) and written (form or email) declarations must contain some specific information about the donor. Charities need to send confirmation of an oral declaration to the donor: the donor then has up to 30 days to change their mind.
- ❖ Declarations should include a statement such as "I want the charity to reclaim tax on my donation(s)" and a description of the donation(s) to which the declaration relates, such as "All donations I have made since 6 April 2000 and all I make hereafter". Certain other information is also required: the Give Plus pack from Stewardship Services gives full details in section 2.

If charities are able to realise tax claims, on all donations that are not currently tax effective, this could amount to a significant increase in their income. Clearly some donors are not taxpayers and others use a charity card or voucher scheme where the tax has already been claimed by the agency. Charities are unlikely to obtain Declarations from all their donors, however they should do all they can to maximise this potential income.

Notes about the Gift Aid Declaration Scheme

- ❖ Donors need only complete one gift aid declaration per charity.
- ❖ Lower rate taxpayers can now make tax effective gifts at the basic (rather than the lower) rate, provided sufficient tax has been paid.

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Other Methods of Tax Effective Giving

- ❖ There are currently incentives for payroll giving, the ceiling of £100 per month was removed in April 2000 and the government will pay a premium of 10% until March 2003. Some employers operate a matched giving scheme that will further increase the value of the gift.
- ❖ Company charitable giving is now done gross, so no tax reclaims needs to be made by the charity.
- ❖ Income tax relief on gifts of shares to charities has been introduced. This is in addition to any capital gains tax relief.

Potential pitfalls

- ❖ A donor must pay tax on the gross amount of their gift. There is a potential situation that some donors may exceed the amount of tax they have paid. A clear warning about this should be given.
- ❖ Deeds of covenant have been replaced by Gift Aid from a tax effective giving perspective, although those made prior to 5 April 2000 are still valid. Although instalments (e.g. by standing order) may be made under Gift Aid, charities may have to work harder to retain regular giving patterns from donors.
- ❖ Cash given in offerings can only be given tax effectively if enclosed in an envelope containing the required donor information (see Give Plus pack section 7 for full details). Charities can print their own envelopes although Stewardship Services sell pre-printed envelopes for this purpose.
- ❖ It is critical for charities to keep appropriate records: any charity claiming tax may expect to be inspected by the Inland Revenue. If records are not found to be in order the charity may be required to repay the tax that has been reclaimed.
- ❖ Payroll giving and company giving is done gross of tax. Therefore donors by these methods need to be reminded that they are giving gross and encouraged to add 28% to any gifts previously given under covenant or gift aid in order to maintain the value of the gift.

Charity Action Plan for Tax Effective Giving

- ❖ Familiarize yourself with the current arrangements.
- ❖ Promote the options for tax effective giving to current and new members, particularly those who are not yet giving tax effectively.
- ❖ Ensure that your documentation is up to date (e.g. leaflets on giving, standing order forms, appeal letters, membership applications, annual reminders).
- ❖ Review any systems that prepare tax claims automatically to ensure they work correctly.
- ❖ Check the rules that limit the benefits that donors can receive in return for their donations. See Give Plus pack section 4.
- ❖ Review how to maintain regular, committed giving programmes.
- ❖ Consider how to handle tax effective telephone donations.
- ❖ Consider a web page about giving and how to receive donations over the Internet. (NB there are security issues regarding payment details)

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- ❖ Ensure company donors increase gifts to take account of the fact that they are now giving gross rather than net.
- ❖ Promote payroll-giving opportunities.
- ❖ Keep good records in readiness for an Inland Revenue inspection.

Further Information

- ❖ Stewardship Services Give Plus Pack:
available by calling 020 8502 5600 or through www.stewardship.org.uk
- ❖ Inland Revenue's Getting Britain Giving document:
available by calling 0151 472 6037 or through www.inlandrevenue.gov.uk
- ❖ Sovereign Giving information on payroll giving:
available by calling 01603 700174 or through www.sogive.com

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