

Stewardship Forum

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Stewardship Tools for Individuals : Lifestyle Issues

Title: How to make your charitable giving tax effective

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Giving money to charities, including your church, was simplified from 6 April 2000. Now is the time to make the most of our giving to church or charities. If you are a taxpayer you can increase the value of gifts to charity by at least 28%. If you have not taken advantage of this opportunity yet use the information from this article to rethink you tax effective giving.

Tax effective giving explained

- **Gift Aid** is now the primary means of tax effective giving: the minimum amount of £250 has been abolished (although some charities/churches may set a minimum amount so that the administrative costs don't outweigh the benefit of the tax claimed).
- You can complete a Gift Aid Declaration on a form or communicate your details over the phone or Internet or even face to face! The declaration can cover a single gift, a regular payment or be open ended: "All donations I have made since 6 April 2000 and all donations I make hereafter".
- You may choose to complete Gift Aid Declarations for all the charities you support or alternatively set up your own **charity account** with an agency such as Stewardship Services or Sovereign Giving, who are both members of the Evangelical Alliance.
- New **covenants** made after 5 April 2000 are no longer eligible for tax relief in their own right. They will still be legal documents and you may still want to use one as a way of committing yourself to a particular cause. However, you will need to complete a Gift Aid Declaration in order to make your covenant tax effective. NB Covenants made on or before 5 April 2000 will continue to be valid for tax effective giving in their own right.
- **Cash placed in the offering** can also be given tax effectively, provided you have completed a Gift Aid Declaration and use a special envelope system provided by the church to which the cash is given.
- Another option is a **payroll giving** scheme. You authorize your employer to deduct the monies from your pay each month, before tax, and this is paid into a charity account. The bonus is, that from now until March 2003, the government will add an extra 10% to every donation made in this way. This is likely to be more tax effective than Gift Aid, although you must realise that if you are giving, for example, £100 a month by this method, it is only costing you £78: because the sum is being deducted from your pay

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without you paying the £22 tax on it. You will need to “gross up” the amount of the gift accordingly so that the recipient doesn’t miss out. Some employers operate a matched giving scheme. For example, you give £100 a month to the church by this method and your employer gives the church a further £100 per month. **It is worth checking this one out!**

- If you have **quoted shares** that are liable for capital gains tax there is another possibility to consider. Do your giving by passing the shares on to a charity and you will be exempt from capital gains tax and you can also claim income tax relief.

Please note that for any of the above schemes the Inland Revenue will not pay back any more tax than you have paid in the tax year. However, if you only **pay tax at the lower rate** of 10 per cent you can now use these schemes, provided the tax claimed does not exceed the amount of tax you have paid. If you pay **higher rate tax** you can continue to get additional relief on the difference between the basic (22%) and higher (40%) rate: this is claimed through your tax return.

- If you do your **giving through a company** you need to remember that now the company receives the benefit of the tax relief rather than the charity. **You will need to gross up the amount so that the recipient doesn’t miss out.**

Most giving has an immediate benefit. However, you may want to consider extending your potential to give into the future by including **legacies** to your church and other charities in your will. This is a wonderful way to give, even if your current income no longer allows you to support some of the causes that you previously have. Legacies to registered charities also reduce the liability of your estate to inheritance tax.

Clearly there is plenty to consider as you **prayerfully and thoughtfully work out your giving**. We hope that you will find an appropriate way to use tax effective giving as part of your Christian commitment.

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