

Tax Effective Giving

Giving Can Be Receiving

As a registered charity, giving to the Community Foundation for Surrey can result in highly attractive tax relief on donations. The government gives tax incentives for giving to charity; it is not considered tax avoidance but it could result in considerable tax savings for you.

Lifetime Gifts

Gift Aid is the most well-known form of tax relief. Gift Aid means that if you are a UK taxpayer, HMRC will contribute an additional 25% to your charitable gifts. Gifts can be made from either income or capital, but for every £1,000 you give as a charitable donation, the Foundation will receive a total of £1,250 at absolutely no additional cost to you. Please note that a UK taxpayer must be paying at least as much tax as is equal to the projected gift aid relief in order to qualify.

You are entitled to further tax relief on charitable donations if you are a higher rate or additional rate taxpayer, as you are able to reclaim the difference between your tax rate (40% or 45%) and the basic rate (20%).

This can result in considerable tax relief for you, and when combined with Gift Aid it can also boost your gift to the Foundation.

In order to maximise your tax relief, a donation can be backdated to the previous tax year as long as the payment is made prior to submitting your tax return.

Did you know?

Gifts to charities can also consist of assets and there are specific tax reliefs on quoted shares and property. In addition to full income tax relief as described above, any latent capital gain is also fully exempt from capital gains tax; currently 20% on quoted shares and 28% on property.

It is also an option to “give the gain” on an investment to charity, relieving you of capital gains tax, whilst retaining the original cost value yourself.

Whilst you may be aware that inheritance tax becomes due on gifts you leave to individuals within the seven years prior to your death, this is not the case for gifts made to charity. You can make a gift to charity at any point during your lifetime and it will always be exempt from inheritance tax.

Together we can

Charitable legacies provide a vital and significant source of donations and can reduce the inheritance tax due from your estate.

Inheritance tax is charged at a rate of 40% on the value of your estate exceeding the current threshold of £325,000.

All money left to a charity is immediately free of inheritance tax, as well as reducing the taxable portion of your estate.

In addition, if at least 10% of the taxable value of your estate is left to charity, the inheritance tax on the remainder of your estate is automatically reduced from 40% to 36%.

Tax relief can also be granted by using a Deed of Variation. A Deed of Variation can be executed within two years of a death and provide significant savings in inheritance tax by increasing the gift left to charity.

Case Study

Jane has a gross estate of £1 million. There is no tax to pay on the first £325,000 and so the net taxable estate is £675,000. When considering making a gift to charity, the table below helps illustrate the benefits of gifting 10% of her estate as a charitable donation.

Charity Gift (% of estate)	4%	10%
Charity receives	£27,000	£67,500
IHT (40% / 36%)	£259,200	£218,700
Non-charity beneficiaries receive	£713,800	£713,800

By Jane increasing her legacy from 4% to 10%, the charity receives an additional £40,500. This is paid for by a corresponding reduction in Inheritance Tax (IHT) as a result of the lower rate of 36%, and as this lower rate applies to the rest of her estate too there is no loss to the other beneficiaries in her will.

Please note that this is in no way intended to offer advice on your estate planning and not all reliefs or benefits to which we refer may apply to you. Tax can be a complicated area and we strongly suggest you seek independent professional advice before taking any action. All figures and tax rates are correct at the time of writing but please be aware that these may be subject to change - October 2018.

For further information please contact the

Community Foundation for Surrey

01483 478092

cfsurrey.org.uk