

Tax effective giving

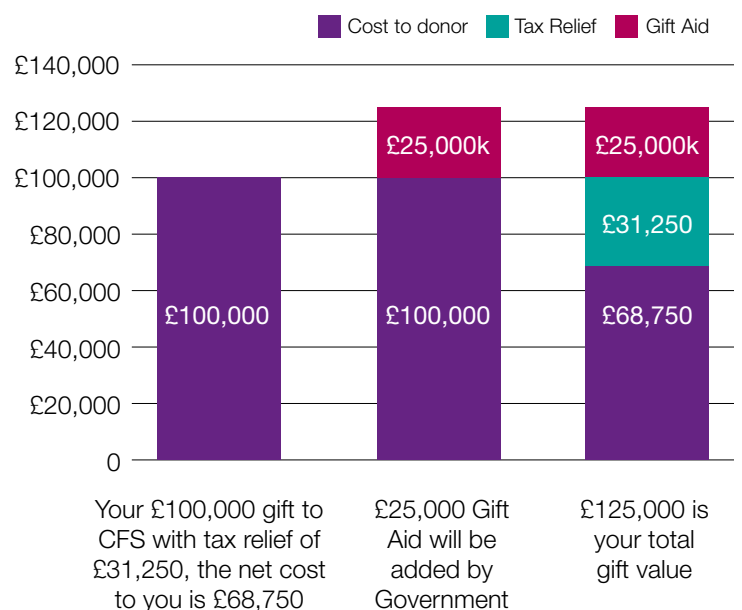
As a registered charity, giving to the **Community Foundation for Surrey (CFS)** can result in highly attractive tax relief on donations for your clients.

Gift Aid

Gift Aid is a government scheme that enables charities to reclaim basic tax rate on all gifts given by UK taxpayers. This means that HMRC will contribute an additional 25% to charitable gifts from individuals. Gifts can be made from either income or capital, but for every £1,000 given as a charitable donation, CFS will receive a total of £1,250 at no additional cost to your client. (A UK taxpayer must be paying at least as much tax as is equal to the projected gift aid relief in order to qualify.)

Higher rate or additional rate taxpayers are also entitled to further tax relief on donations, as they are able to reclaim the difference between their tax rate (40% or 45%) and the basic rate (20%). This can result in considerable tax relief for your client, and when combined with Gift Aid it can also boost their gift to CFS – for example:

Effect of a £100,000 donation by a 45% tax payer



So, a £100,000 donation becomes £125,000 and the net cost to your client is £68,750.



Legacy gifts

While some people have a clear idea of the charities they wish to support through leaving a gift in their will, others may want to give back to their local community but are unsure exactly which charities to support. A long-term option is for the Community Foundation for Surrey to be named as a recipient in a will, with the instruction to use the legacy to support a particular cause or areas of the county.

All money left to a charity is immediately free of inheritance tax, as well as reducing the taxable portion of your client's estate. In addition, if at least 10% of the taxable value of your client's estate is left to charity, the inheritance tax on the remainder is automatically reduced from 40% to 36%.

Example:

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. The table below helps illustrate the benefits of gifting 10% of her estate:

Gift to CFS (as % of estate)	0%	4%	10%
CFS receives	£nil	£27,000	£67,500
IHT (40% / 36%)	£270,000	£259,200	£218,700
Non-charity beneficiaries receive	£730,000	£713,800	£713,800

If Jane had initially not intended to make any charitable donation, her chosen beneficiaries will still receive 97.8% of their original entitlement if she decides to donate 10% to charity; due to the reduction in the rate of inheritance tax from 40% to 36%.

The table also shows that beneficiaries are no worse off between a 4% and 10% donation to charity due to the lower inheritance rate compensating for the charitable donation.

Tax relief can also be granted on an estate after death by using a Deed of Variation. This can be executed by the beneficiaries of a will within two years of death and provide significant savings in inheritance tax by increasing the gift left to charity.

Case study

“ I was an Executor for my mother-in-law’s estate together with her daughter (my wife) and her son. They were the sole benefactors of the will. My mother-in-law had a difficult last few months as she was suffering from Parkinsons and any discussion about amending her will for charitable purposes, even though she was a life-long champion of charitable causes, would have been difficult to broach. I was, however, aware that there was a two year window after death in which the beneficiaries could amend the will via a Deed of Variation. I was able to demonstrate that if 10% of the net estate was given to charity, the rate of inheritance tax on the remainder would fall from 40% to 36% and that they, as benefactors, would still receive nearly 99.5% of their original entitlement and the charity would receive an amount over four times the amount of what they had foregone. The Deed of Variation is a very short document and can be completed as part of the settlement of the estate, reducing the inheritance tax bill payable.

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Gifts of land or property

Your clients may ask for advice on donating or transferring a gift of land or property to charity. Such gifts can be offered to any approved charity who will need to first ensure it can accept the proposed gift before it can be transferred. Your client will not have to pay tax on land or property donated to charity and they will be able to get tax relief on both Income Tax and Capital Gains Tax.

Gifts of shares

Your client may have a large investment portfolio but limited liquid cash resources and wish to support charitable causes. Gifts of shares are one of the most tax efficient ways to make a donation.

Your client may have inherited small amounts of shares from a relative or received shares following a company privatisation or take over. Such small amounts of shares are often difficult to dispose of, not least due to the costs involved. Alternatively, they may have a large investment portfolio and wish to make a charitable donation.

Gifts of shares benefit from tax relief in two ways:

- Income Tax relief on the value of the shares
- Shares are exempt from Capital Gains Tax i.e. your client will not be taxed on any gain they have made on the value of their shares

Shares can be sold and the value donated to CFS to either establish a new Fund or contribute to an existing fund. For shares that are transferrable, these can be donated directly, but only publicly quoted shares qualify for tax relief.



About us

The Community Foundation for Surrey is part of a global network of community foundations, which has been established for over 100 years.

The aim of community foundations is to improve the quality of life for local residents through local giving. The Community Foundation for Surrey is also part of UK Community Foundations (UKCF) – a network of 47 Community Foundations across the UK. We pursue long-term change for communities in Surrey by identifying the local context, collaborating with others, applying multiple interventions and constantly learning from and adapting to new circumstances.

Since establishing in 2005 the Community Foundation for Surrey has continued to set high targets to substantially increase the level of support it is able to give to local communities across Surrey. To date, we have awarded over £17 million to Surrey Communities. Our mission is to continue to grow local philanthropy to change lives.

For further information please contact us:

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