

**It's not what you
give, it's the way
that you give it**

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1 Introduction

Surveys over the years have consistently confirmed that many giving to charity *do not* do so in a tax effective manner. Giving in a slightly different way can reap huge Kingdom benefits for Christian churches and charities, whilst in some cases giving a tax benefit to the donor as well. Various surveys undertaken over the last 5 years have estimated that if all taxpayers had used the gift aid scheme in their giving, charities would raise an additional £700 million to £900 million *each year*. In fact this figure is likely to be somewhat higher since the Christian sector, with its culture of giving, has still largely failed to capitalise on this.

There may be good reasons for this. For example, lack of knowledge of the opportunities, fear of the 'tax system' or the desire to give anonymously. But objections such as these are easily overcome. Christian charities could then gain substantial and valuable additional Government funding in the form of tax refunds to help them achieve their God given mission and purpose.

Aside from Gift Aid there are a number of other opportunities to maximise the impact that you can make using specific tax breaks for gifts to charity. These can be summarised as:

2 Gift Aid

Gift aid is straightforward. Gone are the days of signing a legal covenant and committing for a number of years into the future. Nowadays, you as donor sign a simple 'declaration' to say that you will pay at least as much in tax as your chosen charity is able to reclaim from the HM Revenue and Customs and the taxman will pay the charity *28% on top of your gift* at no cost to you. It is even better news if you are a higher rate taxpayer. You can personally reclaim a further 23% of the amount given!

Gift aid applies to *one off* or regular gifts of *any* value. No minimum amount and no minimum period. So taxpayers should have little if no reason not to take advantage of the Government's help.

3 Payroll Giving

Here, an employer sets up a scheme to enable staff to give directly through their paypacket. Regular donations are deducted from gross pay, giving full tax relief at source. The scheme then allows the employee to choose the charities that will benefit from their donations. Whilst the Government incentives for payroll giving will cease in March 2007, this method will still appeal where the employer operates a 'matched giving' arrangement, often adding £1 to every £1 given by their staff.

4 Gifts of shares

Do you have shares for example from past privatisations, from your employer or from your building society when it converted to a bank? Giving your church or favourite Christian charity the shares rather than the proceeds from their sale may give rise to particularly generous tax relief, especially if you are a higher rate taxpayer or the sale of your shares will give rise to a capital gains tax liability. Not only is the capital gains tax liability avoided, but you can deduct the *market value at the date of the gift* from your income that is subject to tax. This can add further relief of up to 40% and may bring you a handsome tax refund!

The shares must be stock exchange listed but there is no minimum amount. Very small shareholdings held by standard rate taxpayers may however be better sold and the

proceeds gift aided to charity because of dealing costs and capital gains tax exemptions that may apply.

5 Gifts of land or buildings

This relief operates in much the same way as the gifts of shares relief above by giving similar income tax and capital gains tax reliefs. The receiving charity has to give a certificate accepting the gift. This may present an opportunity for relatively few donors but it should not be overlooked.

6 Legacies

Gifts to charity in a will are exempt from Inheritance Tax. So leaving some or all of your assets or perhaps a specific financial gift funded from the sale of your home to charity on your death is particularly tax efficient.

7 Instruments of variation (IOV)

Where the deceased left a will, but perhaps did not make any gifts to charity, it is possible to legally 'redirect' part or all of the bequests in the will after death using an IOV. For example if the deceased left a gift to their son, this would normally be subject to Inheritance Tax. But if the son, being a committed Christian and financially secure, decides that he wants to give some or all of his inheritance to charity, he can enter into a IOV jointly with any other beneficiaries affected by the change. This has the effect of treating the will as if the gift to charity had been made by the deceased themselves and this gift now becomes inheritance tax exempt.

8 Flexibility and creativity

Taking advantage of these opportunities need not be daunting or difficult. Help and advice is freely available along with a number of convenient tools.

For example, *Stewardship*, which is a professional resource to the Church and to God's people can provide one account to manage all your giving whether it is to be anonymous, to one or many causes or even for giving tax effectively to full time Christian workers and Bible College Students.

It all works in much the same way as your bank account. The 28% tax refund is claimed by us and is added to your account with us. All you have to do is fund it and experience the joy of giving!

The Sovereign Gold account, which is for higher value giving enables tax relief to be secured in the current tax year (for example against an annual bonus) whilst allowing you to spread payments out to your chosen causes over more than one tax year. It is often used by donors in conjunction with an Instrument of Variation (as explained above). And we add an investment return to the account balance!

For further details of all of Stewardship's services and for additional resources, click onto www.stewardship.org.uk

9 Summary

So what of those objections to using gift aid and other tax reliefs mentioned earlier? Our prayer is that this Briefing Paper has not only filled any knowledge gap but has encouraged readers to look afresh the way that their own giving is organised. Collectively, the opportunities are simply too big to ignore. Your charity need not miss out!