



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

updated March 2015



## Stewardship Briefing Paper

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- Subscribe to receive our email bulletins at our website, [www.stewardship.org.uk](http://www.stewardship.org.uk); and
- Tell others in your church or charity about our resources.

If you regard the material to have been of particular help and significance to you in your work (for example using it to inform a church or charity group/network) perhaps you would consider making a financial gift to Stewardship in appreciation (though please feel under no obligation).

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## 1. About Stewardship

Stewardship's mission is to transform generosity by:

- making giving easy
- inspiring greater generosity
- strengthening Christian causes

and our vision is:

- For the world to encounter Jesus through the generosity of his Church.

Since 1906 Stewardship has been helping the Christian community in the UK to give and to receive. We love **making giving easy** and help over 25,000 individuals to give around £60million each year, to our database of over 19,000 charitable causes.

We are committed to **strengthening Christian causes**, by offering practical, tailored support to help Churches and Christian charities to transform the world.

And we **inspire greater generosity** from this community too, through our wealth of resources, courses and campaigns for individuals and churches alike, including the multiple award winning [40acts](#) campaign and website.

## 2. Better ways to give – an 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. It is suggested that if all taxpayers used the gift aid scheme for their giving wherever possible, charities would benefit by an additional £750 million *each year*<sup>1</sup>.

There may be good reasons for this. For example, lack of knowledge of the opportunities, fear of the 'tax system', misunderstandings, the cost to charities of claiming Gift Aid on very small donations, and the desire to give anonymously. Fortunately, there are solutions to these. For example, the Gift Aid Small Donations Scheme introduced by the Government in 2013 makes it easier to claim a 'Gift Aid type' top-up payment on cash donations of £20, without the Gift Aid formalities and, a Stewardship Giving Account can be used to give to make Gift Aid donations to charity whilst preserving anonymity.

Most of the other objections are also easily overcome, especially with the information and tools now available on the internet and in briefings such as this one. Properly appraised of the opportunities, Christian charities stand to gain substantial and valuable additional Government funding in the form of tax refunds to help them achieve their God-given mission and purpose.

This paper looks at Gift Aid briefly, but surveys many of the other opportunities available to maximise the impact that one can make using specific tax breaks for gifts to charity:

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<sup>1</sup> CAF, 2011



### 3. Gift Aid

Gift aid is straightforward. 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 taxman (HMRC) and they will pay the charity 25% *on top of your gift* at no cost to you. It is even better news if you pay income tax at one of the higher rates: If your top rate of tax is 40%, you can personally reclaim a further 25p of tax relief on each £1 you give to charity. If your top rate is 45%, this rises to 31.25p in the £1! And, if you end up being liable for Capital Gains Tax in any year, the charity (and you as donor) can reclaim that, using the Gift Aid Scheme.

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

For details of Stewardship's range of Gift Aid giving accounts, please visit our [website](#).

### 4. The Gift Aid Small Donations Scheme (GASDS)

Making a donation under Gift Aid is relatively straight forward for the donor: they sign the necessary Gift Aid Declaration (which can be made to apply for all future gifts to that charity as well as the current one) and then, they simply make the gifts.

However, for the charity to collect the Declaration, the gift(s) and then acknowledge them to the donor, and make sure that they comply with the Gift Aid rules, including record keeping and to make the necessary claims to HMRC on a regular basis involves administration. For the smallest of gifts, this may not be cost effective.

So, in 2013, the Government introduced the Small Donations Scheme (or GASDS). This enables charities to claim the equivalent of Gift Aid, in the form of a top-up payment, from HMRC on cash donations of £20 or less, provided that certain basic rules are adhered to.

There is a maximum that can be claimed. For charities in general, the maximum small donations that can be claimed on is £5,000<sup>2</sup> per annum, but for charities that have a building and have cash donations collected in that building<sup>3</sup>, they may be entitled to a further allowance of £5,000<sup>2</sup> (for each building).

For further guidance on the GASDS, please refer to Stewardship's two separate Briefing Papers:

[Gift Aid Small Donations Scheme: a practical guide](#)

[Gift Aid Small Donations Scheme: a comprehensive guide](#)

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<sup>2</sup> The Coalition Government have proposed (March 2015) to increase this limit to £8,000 but, at the time of writing, this has not passed into legislation.

<sup>3</sup> There are additional rules that have to be met if a charity is to claim on cash donations in their 'community building'.

## 5. Payroll Giving

With Payroll Giving, an employer sets up a scheme to enable staff to give directly through their pay-packet. Regular donations are deducted from gross pay, giving full tax relief at source. The employer then pays over the gifts deducted from the employee's pay packet to a Payroll Giving Agency (PGA). The employee may then choose which charity or charities will benefit from their donations by advising the PGA. Some employers offer a 'matched giving' arrangement, often adding as much as £1 to every £1 given to charity by their staff.

Stewardship is authorised by HMRC as a PGA. For details of Stewardship's Payroll Giving Services, please visit [www.stewardship.org.uk/giving/payroll-giving-1](http://www.stewardship.org.uk/giving/payroll-giving-1) and download a brochure from the 'contact and connect' box.

## 6. 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 a particularly generous tax relief, especially if you are a higher or additional rate taxpayer or the sale of the shares would otherwise give rise to a capital gains tax liability. Not only does gifting the shares to charity give exemption from any capital gains tax, but you can deduct the *market value of the shares at the date of the gift* from your income that would otherwise be subject to tax. This can bring you a handsome tax refund!

The shares must be stock exchange listed but there is no minimum or maximum amount. Very small shareholdings held by basic rate taxpayers may, however, be better sold and the proceeds gift aided to charity because of dealing costs and because capital gains tax may not be payable on the disposal of a small share holding<sup>4</sup>.

Stewardship giving accounts may be used to receive gifts of shares where the amount involved justifies the administrative costs involved. We will normally sell the shares on receipt and credit them to your giving account. As we, rather than you, sell the shares, there is no capital gains tax payable.

## 7. 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.

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<sup>4</sup> Whether or not tax is payable will depend on personal circumstances. A capital gains tax annual exemption is available where the total of all taxable gains in the year is small.



## 8. 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.

But there is an additional benefit. Since 2012, it has been possible to lower the rate of Inheritance Tax payable on the rest of your estate (that is the part that has not been given to charity), solely as a result of the charitable gift!

Inheritance Tax is normally payable at the rate of 40% on the taxable part of the estate. Where 10% or more of the estate is given to charity, the rate applicable to the taxable part is discounted to 36% (ie a 10% discount on the 40% rate).

Stewardship has published a guide to giving to charity in your Will, [Legacy Giving: Where there's a Will, there's a way](#), which provides comprehensive coverage of the tax reliefs available.

## 9. 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.

Stewardship's [Briefing Paper on Wills and Inheritance Tax](#) describes the use of Instruments of Variation in more detail, including making sure that the charitable gifts made in them remain valid.

## 10. 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.

Stewardship's range of giving accounts can be used to manage all or any of your giving. Our accounts enable you to benefit from the available charity tax reliefs and, at the same time enable you to give tax efficiently to the causes closest to your heart. You can request donations to churches, charities, full-time Christian workers and Bible College students, and give anonymously if you wish.

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 (explained above) and we add an investment return to the account balance!

## 11. 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 at the way that their own giving is organised. Collectively, the opportunities are simply too big to ignore. You and the charities that you support need not miss out!