



# CREASEYS

## CHARTERED ACCOUNTANTS

### **Give more to charity, but pay the same!**

The increase in the top rate of income tax from 6 April 2010 to 50% may be bad news for some – but it could also be an incentive for certain donors to increase their charitable giving. This is because those paying the higher rates of tax will get additional higher rate relief on their donations. So, for example, the net cost to a donor giving £1,000 to her favourite charity in 2009/10 was £750 after claiming higher rate relief; in 2010/11 it would be just £625 if she has taxable income over £150,000. This may encourage donors to give more - at no additional cost. The charity will continue to be able to reclaim basic rate relief as before and so the value of the donation to the charity continues to be £1,250.

For those donors whose taxable income is around £100,000, the cost could be even less as due to the tapered withdrawal of the personal allowance when income exceeds this amount, their effective rate of income tax may be as much as 60%. This also means that a carefully calculated charitable donation could take them out of this band altogether, restoring the full personal allowance and benefitting charities at the same time.

For those who want donating to be as straightforward as possible and for the charity of their choice to receive the full benefit of their donation immediately, including the higher rate tax relief, a Payroll Giving scheme is the solution. A gift of say £1,250 is deducted from gross pay and paid to the charity; the donor then pays tax on income reduced by the amount of the donation which for a 50% taxpayer means the cost of the donation is just £625. This is probably the easiest way to give with no need to keep separate records of donations.

The arrival of warmer weather might encourage a thorough review of a wardrobe and its contents. The inevitable surplus of clothes can be donated to charity shops and many now operate a retail gift aid scheme where the gift of clothing or other goods can be enhanced by tax relief. The donor will be asked to register for gift aid at the time of making the donation; when the goods are sold, the donor will be notified of the value and asked if they would like to donate this to the charity, the charity then being able to claim basic rate tax relief in addition.

If the spring clean is wider in scope and includes reviewing investment portfolios, you may decide to give some assets to a favourite charity. Certain gifts, including shares quoted on a recognised stock exchange and also qualifying interests in land, can be gifted with the benefit of income tax relief and free from Capital Gains Tax. Gifts like these will benefit charities and reduce tax bills at the same time and so will be particularly attractive to those paying the new higher rates of Income Tax. They are also exempt for inheritance tax purposes, whether made during your lifetime or as part of your will.

For further information on the issues raised in this article or the services of Creaseys' Charities Unit, please contact Roger Ward at Creaseys LLP  
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