

Boost your feel-good bank without breaking the bank

BY IAN FORSYTH

THE head of fundraising at the VSA charity in Aberdeen, Karen Barlow, is often asked for advice on the most tax-effective ways of donating to good causes.

The 36-year-old, who lives near Inverurie and has worked for VSA for 18 months, is keen to establish what avenues are open to people wishing to give to worthy organisations such as VSA.

She said: "As the north-east's leading social-care charity, VSA aims to provide the best care and support possible, to enable our community to fulfil its potential.

"To achieve this, we rely heavily on donations from individuals, as well as from all the other fundraising avenues we pursue. For example, corporate sponsorships, grant funding and trust applications.

"However, while there appears to be many different ways that people can support good causes like ours, there seems to be confusion as to how best to do so.

"People are unsure about the tax position involved, both in terms of their own savings being taxed as a result of making a donation, but also their actual donation being taxed and less of it than they would like reaching their chosen charity.

"We're obviously aware of the likes of gift aid, but we would be keen to learn more about other measures available to us to ensure those giving to charity can do so in the most effective means possible with as much

of the donation going directly to all the good causes those individuals have chosen to support."

Hazel Brown, a director at Carbon Financial Partners, said giving to charity could help to ease hard-pressed consumers' tax bills.

She said: "We all like to do our bit for good causes. Most people recognise that this boosts their 'feel-good' bank, but don't realise that it can also add to their financial bank balance if done in the right way. While putting a few pounds in a donation box is generous, there are more tax-efficient ways to donate."

One of these is through the gift aid system. Ms Brown

"A contribution made through gift aid receives income tax relief at a rate of 20%"

says: "A contribution made through gift aid receives income tax relief at a rate of 20%. This means a net donation of £100 received by a charity will equate to £125 after the charity has received the tax relief.

"Anyone who pays income tax at the higher rate of 40% will receive a further tax saving of 20%: this must be done through the self-assessment tax-return system. In essence, every net donation of £100 will cost a 40% taxpayer just £75."

To claim tax relief, charities usually ask you to complete a gift-aid declaration form. Ms Brown said that you must



GOOD CAUSES: Karen Barlow . . . people unsure about tax position. Photograph: Jim Irvine

have sufficient tax payable in the first instance, though you can carry back to the previous fiscal year.

The gift-aid system is quick and easy, but certain organisations make the process even more straightforward.

If you open an account with the Charities Aid Foundation (cafonline.org), it will reclaim basic-rate tax relief on your behalf and hold your money. Gifts can then be made to your chosen charity through

a special chequebook or card. The Scottish Community Foundation (scottishcf.org) is a similar organisation.

Ms Brown said that another way to give tax-efficiently was to take part in a company payroll giving scheme, adding: "Many employers operate these, whereby a gross contribution is deducted from your earnings before any income tax or national insurance is paid. If you need any extra incentive to donate

to charity, remember that this reduces your inheritance tax (IHT) liability after you've gone, as well as your income tax bill while you're here.

"Charitable donations made in your will are . . . exempt from IHT, as are gifts made during your lifetime. And, from April 61 next year, if you leave at least 10% of your estate to charity, a reduced IHT rate of 36% (down from the usual 40%) will apply to the rest of your estate."