

■ If you would like more copies of this leaflet, or more information on tax-effective giving, contact:

local giving for lasting value

Community Foundations in the UK

East of England

Bedfordshire and Luton Community Foundation
 Cambridgeshire Community Foundation
 (steering committee)
 Colchester and Tendring Community Trust
 Dacorum Community Trust
 Essex Community Foundation
 Hertfordshire Community Foundation
 Stevenage Community Trust
 Community Foundation for Suffolk

East Midlands

Corby Community Trust
 Derbyshire Community Foundation
 Leicestershire, Leicester & Rutland Community Foundation
 Lincolnshire Community Foundation
 Northamptonshire Community Foundation
 The Nottinghamshire Community Foundation

London

London North East Community Foundation
 North West London Community Foundation
 St Katharine & Shadwell Trust
 South East London Community Foundation
 Thames Community Foundation

North East

Tees Valley Community Foundation
 County Durham Foundation
 Community Foundation serving Tyne & Wear
 and Northumberland

North West

The Craven Trust (covers Keighley, Sedbergh, Grassington,
 Barnoldswick & the Trough of Bowland)
 Cumbria Community Foundation
 Halton Community Foundation
 Community Foundation for Greater Manchester
 Community Foundation for Merseyside

Northern Ireland

Community Foundation for Northern Ireland
 The Fermanagh Trust

Scotland

The Scottish Community Foundation

South East

Berkshire Community Foundation
 The Bishop of Guildford's Foundation
 The Buckinghamshire Foundation
 Community Foundation for Hampshire and the
 Isle of Wight
 Kent Community Foundation
 Milton Keynes Community Foundation
 Oxfordshire Community Foundation
 Surrey Community Foundation (steering committee)

South West

Greater Bristol Foundation
 The Community Foundation for Bournemouth,
 Dorset & Poole
 Cornwall Community Foundation
 Devon Community Foundation
 Gloucestershire Community Foundation
 Somerset Community Foundation
 Wiltshire & Swindon Community Foundation

Wales

The Community Foundation in Powys
 Sefydliad: The Community Foundation in Wales

West Midlands

The Birmingham Foundation
 Heart of England Community Foundation
 Herefordshire Community Foundation
 Solihull Community Foundation
 Staffordshire Community Foundation (steering committee)
 Community Foundation for Shropshire and Telford
 Worcestershire Community Foundation

Yorkshire and Humberside

Community Foundation for Calderdale
 The Craven Trust
 Hull and East Yorkshire Community Foundation
 Community Foundation for Leeds
 The Pukaar Foundation (West Yorkshire)
 South Yorkshire Community Foundation
 York and North Yorkshire Community Foundation

For full contact details of UK Community Foundations, please contact:
 Community Foundation Network, Arena House, 66-68 Pentonville Road, London N1 9HS, United Kingdom
 Tel 020 7713 9326, e-mail network@communityfoundations.org.uk www.communityfoundations.org.uk
 Reg company no. 2651777, Reg charity no. 1004630

Tax-effective giving through
 community foundations

Making gifts go further

A guide to tax-effective giving
 and helping your local community



Supported by:

the **giving** campaign

www.givingcampaign.org.uk

This leaflet introduces the main tax-effective ways of giving to groups in your community through community foundations. You may never see or hear of these groups, but they do sterling work making a lasting difference to people who live in your area.

Community foundations cover just about all the UK. Each one covers a geographic area such as a county. They are building endowment funds - permanent sources of capital - to provide income and help for the local areas for years to come. Governed by active Boards of Trustees who know the community well, and with comprehensive grant-making policies they ensure your charitable wishes are honoured now and for generations to come.

Almost 70% of the population makes a regular donation to charity, but only a small proportion do so tax-effectively. You can make your gift up to 66% more effective by allowing the group you help to reclaim the tax*. If you donate shares, you may be exempt from Capital Gains Tax and reduce your taxable income by the value of the shares donated.

Please read this brochure to find out more, or contact your local community foundation to see how they can help your local community. There is a list on the back of this booklet.

* Assuming you are a higher rate taxpayer, your gift of £60 could be worth £100 to a charity by using tax reclaim.



What is a community foundation?

- Community foundations work with a wide variety of donors - individuals, businesses and charitable trusts, public bodies and government agencies - as well as with professional advisers.
- They help donors give to their local community in an effective, easy, flexible and rewarding way. The donors want to make a difference - sometimes beyond their lifetime.
- A fund with a community foundation is much simpler to manage than a family trust or private foundation. You can establish a fund with a simple agreement in just one meeting. You can support a specific charity or designate a cause or area where you wish your gifts to go or you can simply give to the general benefit of the community. Even the smallest donation is welcome and all the funds are professionally managed.
- Using the specialist knowledge of a community foundation means you, as a donor, can be involved in your local community and its particular concerns. You can be part of change in an effective and lasting way. Companies can demonstrate effective corporate social responsibility by giving through a community foundation.
- The umbrella body is Community Foundation Network which looks after the development of the community foundation movement throughout the United Kingdom.
- You can give directly to your local community foundation (there is a list on the back cover), or if you would like to direct your money to grass roots groups across the whole UK, Community Foundation Network can make it happen for you - please contact the Chief Executive on 020 7713 9326.

Read on to find out how you can give tax-effectively to your local community.

■ GIFT AID

Using Gift Aid means that for every pound donated, the community foundation gets an extra 28% from the Inland Revenue. The donor just needs to pay enough tax to cover the amount reclaimed and give a simple Gift Aid declaration to the community foundation. The community foundation then claims back the basic rate income tax paid by the donor. If the donor is a higher rate taxpayer, they can claim personal tax relief on the gross amount of the gift, worth 23 pence for every £1 donated.

Basic rate taxpayer

Donation to community foundation	£100
Amount reclaimed by community foundation from Inland Revenue	£28
Total amount received by community foundation	£128
Cost to donor to give £128 to community foundation	£100

Higher rate taxpayer

Donation to community foundation	£100
Amount reclaimed by community foundation from Inland Revenue	£28
Total amount received by community foundation	£128
Amount reclaimed by donor in tax return	£23
Cost to donor to give £128 to charity	£77

Who can use Gift Aid?

Anyone who has paid enough income tax or capital gains tax in the current financial year to cover the amount reclaimed by the community foundation can use Gift Aid. So, a donor giving £100 needs to have paid at least £28 income tax or capital gains tax.

How does it work?

The donor needs to complete a simple declaration, giving the community foundation their name, full address and an acknowledgement that they are aware of the requirement to have paid enough tax. This can be done by giving a simple declaration in writing, over the phone or online. Higher rate taxpayers can reclaim 18% personal tax relief (the higher rate, 40%, minus the basic rate, 22%) on their donation. This works out at 23 pence for every pound donated. Since April 2003, donors have been able to claim this relief early in their tax return for the previous year, rather than wait until they complete the return for the year the gift was made. Below is an example of the simple declaration that the donor has to give to use Gift Aid:

Sample Declaration (used together with name and address)

I want (insert name of community foundation) to Gift Aid all donations I've made since 6 April 2000 and all future donations until I notify you otherwise. I confirm that the amount I have paid in income tax or capital gains tax in the tax year will at least equal the amount the community foundation will claim.



■ SHARE GIVING

Giving shares and securities to charity has long been a useful way of unlocking capital and passing it on to good causes. Since April 2000, donations made in this way have been eligible for full personal income tax relief **as well as** exemption from capital gains. A gift of £1,000 listed shares could reduce a basic rate taxpayer's income tax bill by £220 and a higher rate taxpayer's by £400. In addition, no capital gains tax is payable on gifts of shares to charity. Similar relief also applies to donations of land or buildings.

Who can use Share Giving?

Any UK taxpayer who holds listed shares, unit trusts or OEICs can donate them to community foundations and claim personal tax relief. Non UK taxpayers can also donate shares but are not eligible for tax relief.

How does it work?

Donors can claim income tax relief equal to the market value of the shares on the day the gift is made, plus any associated costs such as brokers' fees. If a higher rate taxpayer gives a community foundation £1,000 worth of shares they will be able to claim a reduction of £1,000 in their taxable income when they fill in their tax return for that year, reducing their tax bill by £400. No capital gains tax is payable on any increase in the value of the shares. In theory this could mean a further 'saving' of up to 40%. However, where shares have fallen in value the loss cannot be used to offset a CGT liability.

Value of shares donated	£1000
Income tax relief for higher rate taxpayer	£400
Potential capital gains saving	£400
'Cost' to the higher rate taxpaying donor	£200

Shares or cash?

Whether the donor gives shares or gives cash through Gift Aid will depend on their individual tax situation and whether they want the community foundation or themselves to get the greatest benefit.

Giving shares: the practicalities

Donors are best advised, in the first instance, to approach the community foundation they want to give to, as many community foundations will arrange the transaction or offer guidance.

■ Some illustrative examples:

Alastair owned shares quoted in America. He used these to add to his Fund at Wiltshire & Swindon Community Foundation. His Fund is for the general benefit of the community.

"This way, I put the shares to good use, didn't have to pay Capital Gains Tax and offset the amount against taxed income. It was a win win for the charity and myself. I only had one form to sign and no charges to pay."



Vic Penny had a particular concern for young children. After his death, it was discovered that he had left everything in his will to give local youngsters the chance to pursue the arts, especially music and the theatre.

However his trustees lacked the know-how to put these charitable wishes into effect. Instead they authorised solicitors to hand over the estate to the Hertfordshire Community Foundation to set up a special named fund for this purpose.



The Needham Cooper family always channelled some of their trust's income through the Greater Bristol Foundation to support a range of smaller, local projects that they would not be able to find out about.

To reduce the day-to-day administration of the trust, they set up the fund within the community foundation.

Joyce Cooper said: "It is perfect and I feel that it has consolidated the close personal relationship that we had built up over time. Working with the foundation allows me to retain hands-on decision-making about the grants."



Sir Tom Cowie is a successful businessman, but he remained committed to the town of his birth, Sunderland. He gave a gift of shares to his local community foundation to support a range of innovative grassroots projects, especially organisations for young people with disabilities or who are disadvantaged.



■ LEGACIES

Community foundation legacies are donations made as part of a will. They are paid before inheritance tax is deducted, reducing the total amount of tax paid on the estate. The gift can be a specific amount or the residue of an estate, ie, what is left after all bequests, debts and expenses have been settled. Legacies can be set up through a solicitor or a community foundation.

■ TRUSTS

Companies and trusts tell us they often don't have the time or resources to effectively manage the many requests they receive for donations.

Individuals have to go through a lot of paper work and fees to set up their own trust.

Setting up a permanent fund with a community foundation is an ideal way of placing either your company or your organisation at the heart of its local community.

Depending on the deeds, a trust may also be transferred to a community foundation.

Community foundations will invest funds and carefully evaluate local projects to identify those which can use your donation most effectively.

■ PAYROLL GIVING

Anyone who is paid through PAYE can use Payroll Giving to donate to a community foundation. Donors who receive a company pension can also use it. However, the employer has to have a Payroll Giving scheme in place to allow their employees to make donations in this way.

The donor completes a simple form provided by their employer, nominating the community foundation they want to support and the amount they wish to donate for each pay period (eg weekly or monthly). The employer will then deduct the donations from the donor's salary and arrange the rest. This is an ideal way to help your local community, day in and day out.

