



FEATURE ARTICLE

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Charity

“Where there is charity and wisdom, there is neither fear nor ignorance”

St Francis of Assisi

At this time of year it is, as far as I am concerned at least, a small tradition at Lighthouse that I write about charitable giving.

In last year's article, which is still available on the Lighthouse Website in the "Feature Articles" section, I focused on Gift Aid and the fact that despite the simplicity of this scheme the Charities Aid Foundation has estimated that charities miss out on approximately £750 million a year simply because donors fail to make it possible for charities to claim Gift Aid.

This is a very sad statistic (although not necessarily for the Treasury!) because in order for the Gift Aid scheme to be applicable all the donor has to do is make a declaration that the gift is being made using Gift Aid. This can be made by completing a very basic form, or more simply over the telephone or internet. In practical terms a Gift Aid declaration must include:

- ✓ Your full name.
- ✓ Your home address.
- ✓ The name of the charity.
- ✓ Details of your donation, and it should say that it's a Gift Aid donation.

Gift Aid declarations can be worded so that they apply to:

- A specific donation or donations only (including past donations).
- A specific donation plus all future donations.
- A specific donation, specified past donations plus all future donations.



Specialist Websites

Now as I have discussed in previous articles with reference to Gift Aid there are, as you will doubtless be aware, various specialist websites that provide a service to charities and indeed fundraisers so that their fund raising activities are as tax efficient as possible. The best known is probably www.justgiving.com but when considering using one of these sites it is important to make a few comparisons as they are not all the same in terms of the fees they charge.

Last year I highlighted www.Bmycharity.com as probably the cheapest (giving the maximum amount from your gross contribution to charity) but another to consider this year is www.btplc.com/mydonate which is a not-for-profit, online fundraising service for UK charities provided by BT. (BT invests at least one per cent of its corporate pre-tax profits in the community and environment every year and this service is part of that commitment.)

Gift Aid and Charity Shops

An interesting area that many may not be aware of is that Gift Aid can be applied to gifts of items to charity shops.

Now it is a fact that Gift Aid can only be applied to gifts of money, but if a donor gives goods to charity and agrees that the charity will sell these items on their behalf and lets the charity keep the proceeds, then Gift Aid can apply. Which is of course precisely what charity high street shops do.

The practical steps the charity should take in order to achieve this outcome are to enter into a written agreement with the donor, which:

- ✓ Explains the arrangements to the supporter.
- ✓ Ensures the donor understands that they can keep the proceeds (minus any fee the charity charges) after they are notified of the value of the sale.
- ✓ Establishes that the charity is acting as an agent to sell the items on their behalf.
- ✓ Itemises the goods to be sold (linking them to the donor)
- ✓ Obtains an open Gift Aid declaration from the supporter.
- ✓ When the items are sold, the charity must inform the donor in writing (or email) how much they were sold for and provide the opportunity for the donor to request all (or part) of the proceeds for themselves. The donor must be given a 21-day period in which to notify the charity if they would like to receive the proceeds, during which time Gift Aid cannot be claimed.

Ultimately therefore the processes charities adopt to enable Gift Aid on donated goods are critical to its success. They must link the donor to a valid declaration and identify the items they have donated through to the sale, recording the value and the communications with the donor afterwards confirming the value of the sale - all of which may seem very irksome, especially to the donor when they receive



a letter confirming the value of items sold etc., but actually generates good returns in terms of tax relief.

Conclusion

It is important to note that Gift Aid is only one way of giving to charities tax efficiently. For more help or information relating to giving money to charity tax efficiently you can visit the specialist HMRC website at <http://www.hmrc.gov.uk/individuals/giving/basics.htm>

It is of course at Christmas when we especially think of others so, if you are going to give to charity or raise money for a charity consider if you could do it more tax efficiently, but at the end of the day please do, just give.

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