



HM TREASURY



CabinetOffice
Office of the **Third Sector**



**HM Revenue
& Customs**

A guide to giving for businesses

November 2009

Introduction

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Context

Businesses play a vital role in the society in which they operate and the active engagement of businesses with third sector organisations working in the community is growing all the time. Corporate community involvement can be a “one-off” activity, such as a philanthropic donation. However, businesses can also support third sector organisations by giving their time and skills through volunteering; buying from them; and investing in them. Increasingly the recognition of a strong connection between the daily activities of a business and the well being of society, along with the growing business case for involvement is driving a more comprehensive approach to responsible business practice.

The Government recognises that the private sector can contribute to the aims and objectives of the third sector in a way that Government cannot. Businesses have specific skills and experience to offer, and local businesses are well placed

to understand local issues. The challenge is to translate the widespread social concern that exists within the business sector into effective action for the common good.

What this Guide does

This guide is an update to 'Tax incentives for Corporate Giving' published in 2005. The guidance has now been changed to represent legislative changes made since then. The accompanying document to this guide is an update to 'A Generous Society' also published in 2005. 'A Generous Society' sets out the progress which has been made in encouraging philanthropy.

A range of tax incentives already exists for corporate community involvement and some businesses set up charitable trusts or foundations (charities that receive money from the business and its employees through tax-efficient giving methods). But evidence suggests many of the tax incentives are very often underused and poorly understood. This Guide aims

to provide you with an overview of the range of tax incentives available for corporate community involvement. It is aimed primarily at the business community – those who are motivated to begin community involvement programmes, as well as those with more developed programmes who want to expand their activities. It will also be of interest to fundraising organisations and charities themselves, as they seek to develop stronger partnerships with the business sector. The Guide is not intended to be an exhaustive explanation of each tax incentive – such information is available elsewhere and pointers are listed throughout the Guide. The form of tax incentive available, and the way relief is claimed, in some cases depends on whether your business is a limited company, a partnership or you are self-employed. Where this is the case, it is highlighted in the Guide, but if you are unsure you should contact HMRC Charities on 0845 302 0203 (8am to 5pm Monday to Friday) or consult the guidance for charities at www.hmrc.gov.uk/charities/index.htm

My business wants to... give money to a charity

Your business can claim tax relief on that donation, whether it is large or small, one off or regular, by using Gift Aid.

Gift Aid is a scheme by which tax relief is available for donations of money. The way Gift Aid works depends on whether your business is a company, you are a sole trader or trading in partnership:

For companies

To give through Gift Aid, your company simply pays the money to charity. Your company does not deduct any tax from the donation and does not need to make a Gift Aid declaration to the charity. To get the tax relief, you deduct the amount of the donation from total profits prior to calculating your company's corporation tax.

For the self-employed

Gift Aid donations from the self-employed (sole traders) are treated in the same way as Gift Aid by individuals. Therefore, your donation will be

treated as paid out of taxed income and the charity will reclaim basic rate tax on the donation from HM Revenue & Customs. For qualifying donations made by donors on or after 6 April 2008, charities will claim Gift Aid repayments at the basic rate of 20 per cent and they will also be entitled to a transitional relief worth 3p for every £1 donation they receive under the Gift Aid scheme (the transitional relief will be paid on qualifying donations made up to 5 April 2011). This means that for every £1 given, the charity will continue to receive an additional 28p in Gift Aid. As a sole trader, you will be required to complete a Gift Aid declaration for the charity. If you are a higher rate taxpayer, you can get relief on the difference between the basic rate and the higher rate of tax on the gross amount of the gift – you simply show the amount of the gift on your tax return.



The Gift Aid logo

For partnerships

Gift Aid donations received from businesses that are run as partnerships will be split into individual donations of equal amounts from each of the individual partners, unless the partnership decides to split them in different proportions. The tax position for each partner is the same as Gift Aid for individuals and each partner must complete their own Gift Aid declaration. Again, if a partner is a higher rate taxpayer, they can get relief on the difference between the basic rate and the higher rate of tax on the gross amount of the gift provided they show the amount of the gift on their tax return.

Benefits

A charity may thank your business for its generosity. In some cases a charity will give a small token of its appreciation such as a newsletter or badge, but more substantial 'thank-yous' such as places at charity dinners or other events might be provided. There are limits to the amount of benefit

that you can receive as an individual, partner, or company. The benefit limits are as follows:

Amount of donation	Value of benefits
£0-100	25 per cent of the value of the gift
£101-1,000	£25
Over £1000	5 per cent of the value of the gift

The overriding limit for benefits on donations of any level received over a year is £500.

Sources of information

- Community Foundation Network:
www.communityfoundations.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk

VAT

Donations that are freely given and for which your business, as the donor, receives nothing in return are outside the scope of VAT. However,

if your business receives benefits beyond an acknowledgement from the charity in return for making the payment you should refer to the guidance on sponsorship on the following page.

Sources of information

- Business in the Community:
www.bitc.org.uk
- Charities Aid Foundation:
www.ccinet.org
- HM Revenue & Customs:
www.hmrc.gov.uk/charities/index.htm
- Institute of Fundraising:
www.institute-of-fundraising.org.uk

My business wants to... sponsor a charity

Your business can claim tax relief for sponsorship of a charity, provided the payment is made wholly and exclusively for the purposes of your trade.

Sponsorship is generally different from a donation of money because your business gets something in return. Where, for example, you get publicity for your business or one of its products, which is a reasonable return for the amount paid, it may be regarded as a legitimate trading expense on which tax relief may be claimed. Relief is not available where the payment relates to the acquisition, improvement or extension of an asset held for use in the business. Where a payment qualifies for relief, all you need to do is deduct the value of the sponsorship payment when your business is calculating its profits for tax purposes. Whether a payment qualifies for relief depends on the circumstances – you should contact HMRC Charities on 0845 302 0203 (8am to 5pm Monday to Friday) for advice.

Payments that are not made wholly and exclusively for the purposes of your trade may attract relief under Gift Aid. Gift Aid is explained on page 3. Relief may be given for donations of money if the conditions on the amount of any benefit received in return are met.

VAT

Because sponsorship is a taxable activity, unless your business, as the sponsor, receives nothing more than an acknowledgement, a VAT registered charity must account for standard rate VAT on any sponsorship income received. Your business, as the sponsor of the charity, can reclaim the VAT if the sponsorship is for business purposes and you make taxable supplies (i.e. standard, reduced or zero rated). If your business makes exempt supplies, it may have to restrict the amount of VAT it recovers in accordance with the normal rules of VAT. If your business is considering this course, you should contact HMRC Charities on 0845 302 0203 (8am to 5pm Monday to Friday)

or consult the charities pages of guidance at www.hmrc.gov.uk (VAT notice 701/41 – Sponsorship) before proceeding.

Sources of information

- Business in the Community:
www.bitc.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk



My business wants to... give shares or land to charity

Your business can claim tax relief on that donation.
It applies to:

- Shares and securities listed or dealt in on the London Stock Exchange and other recognised exchanges, or recognised foreign stock exchanges (your business cannot donate its own shares). Refer to www.hmrc.gov.uk/charities/ for more detail.
- Units in an authorised unit trust.
- Shares in a UK open-ended investment company.
- Holdings in certain foreign collective investment schemes.
- A qualifying interest in land.

If in doubt, HM Revenue & Customs can help you decide whether your gift will qualify for relief. You should contact HMRC Charities on 0845 302 0203 (8am to 5pm Monday to Friday).

Shares

You can claim tax relief equal to the market value of the shares on the day you make the gift, together with any associated costs such as brokers' fees. Tax relief can also be claimed on shares that are sold to charity at less than their market value. In this case, you can claim a deduction for the difference between the full market value and the proceeds you receive from the charity. In both cases, you should also take off the value of any benefit you receive from the charity in return for your gift.

Land

If your business gives real property (land or buildings) in the UK to charity, you are entitled to claim tax relief based on the value of the property. The charity will give you a Certificate when you make a gift of real property.

How to claim the tax relief

If your business is a company you can claim relief by entering the amount in the “Charges Paid” box of your Corporation Tax Self Assessment return for the accounting period in which the gift was made. For partners or the self-employed, details of the gift should be entered on your Income Tax Self-Assessment return for the tax year in which the gift was made. In addition, any gain on a gift of property to a UK charity is exempt from capital gains tax. Donors are entitled to claim a deduction for the full market value of the property donated less anything received in return.

VAT

Although the assets of your business are donated rather than sold, the donation may have to be treated as a “sale” for VAT purposes. If your business is considering this course of action, you should consult HMRC Charities before proceeding.

Sources of information

- Community Foundation Network:
www.communityfoundations.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk/charities/index.htm

My business wants to...

give some of its trading stock or equipment to charity

Your business may be able to claim tax relief on that donation. It applies to items that your business manufactures or sells (for example, a toothpaste manufacturer donating toothpaste to a homeless charity), and to plant or machinery that your business uses (for example, an IT company donating a computer to a youth advice charity), providing these are used in the course of your trade. Your business must be a trading company, a sole trader or a trading partnership.

If you donate goods manufactured or sold in the course of your trade, then nothing is included as a trading receipt when you calculate the profits of the trade for tax purposes, so you receive relief for the cost of the item against your taxable profits.

Where you donate machinery or plant used in the course of your trade, you can treat it as having been disposed of at nil value when you calculate your capital allowances. Total capital allowances will be equal to the cost of the item.

VAT

Because the stock of your business is being donated rather than sold, your business, as the donor, will not be able to recover the VAT incurred on the purchase. Alternatively your donation can be treated as a "sale" for VAT purposes and your business, as the donor, will have to account for VAT on the value of the stock. However, if the stock is donated to a charity for sale, export or letting by the charity, your business, as the donor, can zero rate the "sale" and fully recover the VAT on the purchase of the stock. If your business is considering this course of action, you are advised to consult HMRC Charities before proceeding.

Sources of information

- Business in the Community:
www.bitc.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk/charities/index.htm

My business wants to...

loan our employees to work for a charity

If any of your employees are seconded to a charity or a school, and your business continues to pay their salary, you can deduct the costs associated with employing that person as if they had continued to work for you normally. This applies whether the person is undertaking voluntary work within the charity or school for a period of weeks of months, an odd day, or just a few hours on a regular basis, or whether they are involved as a volunteer or mentor as part of the activity of

the charity or school. This applies to sole traders, trading partnerships and companies with a trading or investment business.

All you need to do is treat the costs incurred in connection with the secondment (for example, the relevant proportion of the person's salary) as a normal business expense when your business is calculating its profits for tax purposes.



My business wants to...

encourage our employees to volunteer for a charity

Around 24 per cent of employees work for employers that support schemes for volunteering and mentoring. Two fifths of these employees participated in the scheme in the past 12 months.

Employee volunteering is a great way to get involved in the community, bringing direct benefits to the employees involved, the business as a whole and the community or organisation supported.

If your employees are volunteering in your business' time, then you can continue to claim a business deduction as if the staff were working for you normally in that time.

All you need to do is treat the costs incurred to your business as a result of the volunteering (for example, the person's salary) as a business expense when your business is calculating its profit for corporation tax purposes.

Sources of information

- CSV:
www.csv.org.uk/employeevolunteering
- do-it.org.uk:
www.do-it.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk/charities/index
- Volunteering England:
www.volunteering.org.uk
- Business in the Community:
www.bitc.org.uk

My business wants to... encourage our employees to donate to charity

Your business can consider setting up and promoting a Payroll Giving scheme. In 2007-08, 717,000 employees gave approximately £109 million to charity in this way. Payroll Giving is an excellent way for employees to make regular donations, of any amount, to the charities they personally support. Tax relief is given directly to donors by deducting the donation from gross pay before tax is calculated, thus reducing the donor's overall tax bill. The amount of relief donors receive will therefore depend upon whether they are higher or standard rate taxpayers. For a higher rate taxpayer, a £10 donation costs just £6 and for a standard rate taxpayer, the same donation costs £8.

The costs to your business of setting up a Payroll Giving scheme are minimal and all businesses can claim tax relief on the costs of setting up and running a scheme. If your business chooses to match your employees' donations, that gift to charity can be treated as a donation in the normal

way and tax relief claimed under Gift Aid (see page 3). Your business must have a contract with an HMRC approved Payroll Giving Agency before deducting donations from pay. Your employees indicate, on a simple form, which charities they want to support and how much they want to give. Donations are deducted from their [gross] pay before deducting income tax under PAYE and a Payroll Giving Agency distributes the donation to the charity chosen by your employee.

There is a lot your own business can do to increase the number of your employees involved in Payroll Giving. Research shows that Payroll Giving can be really successful as part of an effective employee communication programme.

From January 2006, the Payroll Giving Quality Mark recognises and rewards organisations for making Payroll Giving available to their staff. A Quality Mark Award is only available to those achieving over 1 per cent employee participation.

Comprising a certificate and logo, as well as Bronze, Silver and Gold Awards, the Quality Mark aims to provide UK charities with sustainable income streams by increasing participation in Payroll Giving.

Individual employees can give in all sorts of other ways tax effectively as well, including making one off or regular donations using Gift Aid.

Sources of information

- Business in the Community:
www.bitc.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk/charities/index.htm
- Institute of Fundraising:
www.institute-of-fundraising.org.uk



My business wants to... invest in improving the urban environment

Your business can make a donation, in cash or in kind, to an Urban Regeneration Company (URC). URCs are regeneration bodies, which bring together the public sector, local authorities, and business to champion and stimulate new investment into areas of economic decline and to coordinate plans for their regeneration and development.

Most businesses get tax relief for their donations (so long as they do not get a benefit from the donation). If your business wants to donate to a URC, for example by giving money, seconding an employee or providing free accommodation to an URC, all you do is deduct the amount of your donation when your business is calculating its profits for tax purposes.

Sources of information

- HM Revenue & Customs:
www.hmrc.gov.uk
- English Partnerships:
www.englishpartnerships.co.uk

- Department for Communities and Local Government:
www.communities.gov.uk/corporate/
- Urban Regeneration Companies:
www.urcs-online.co.uk



My business wants to... invest in a disadvantaged community

Your business can lend money to, or invest in the securities or share capital of, accredited Community Development Finance Institutions (CDFIs) and obtain Community Investment Tax Relief (CITR).

CDFIs provide finance to businesses, including social, community and not-for-profit enterprises that have viable business propositions but are unable to access mainstream sources of finance.

Benefits

CITR is available to an individual or company lending to or investing in an accredited CDFI. The tax relief reduces the investor's income tax or corporation tax liability by 5 per cent of the total amount invested in the year of investment and each of the following four years, giving a total relief of 25 per cent. The tax relief can also be complemented by financial returns offered by CDFIs on top of CITR.

An investor receives a tax relief certificate from the CDFI, which provides the necessary information to claim the relief when making their tax return. There is no limit to the amount of investment that an investor may make and claim relief for, but there are limits to the amount of investment that can be raised by any single CDFI.

After five years, the investment made in the CDFI may be redeemed. Depending upon the terms on which the investment was made and the performance of the CDFI this may be in full, with the benefit of a capital gain or less any capital losses that have been incurred.

Sources of information

- Community Development Finance Association:
www.cdfa.org.uk
- HM Revenue & Customs:
www.hmrc.gov.uk/specialist/citc_guidance.htm
- Business, Innovation and Skills
www.bis.gov.uk

Information and advice

Business in the Community

A movement of over 700 of the UK's top companies committed to improving their positive impact on society.

Business in the Community
137 Shepherdess Walk
London N1 7RQ

Tel: 020 766 8650

Email: information@bitc.org.uk

Web: www.bitc.org.uk

Charities Aid Foundation

An international third sector organisation providing specialist financial services to charities and their supporters. CAF is committed to increasing the resources of charities and helping individual and corporate donors add value to their generosity.

Charities Aid Foundation
114-118 Southampton Row
London WC1B 5AA

Tel: 020 7400 2300

Email: corporate@cafonline.org

Web: www.cafonline.org

www.ccinet.org

Charity Commission

The statutory organisation responsible for regulating charities in England and Wales. It aims to provide the best possible regulation of charities in order to increase charities' efficiency and effectiveness and public trust and confidence. It maintains a register of charities, which is open to public inspection.

Charity Commission
30 Millbank
London
SW1P 4DU

Tel: 0845 300 0218

Email: enquiries@charitycommission.gsi.gov.uk

Web: www.charitycommission.gov.uk

Office of the Scottish Charity Regulator (OSCR)

OSCR is the independent regulator and registrar of Scottish Charities. Our vision is for a flourishing charity sector in which the public has confidence, underpinned by OSCR's effective delivery of its regulatory role.

Office of the Scottish Charity Regulator (OSCR)

2nd Floor

Quadrant House

9 Riverside Drive

Dundee DD1 4NY

Tel: 01382 220446

Email: info@oscr.org.uk

Web: www.oscr.org.uk

Community Foundation Network

A national network of charities providing advisory and grant making services to corporates and private individuals facilitating effective and hassle free local giving.

Community Foundation Network

Arena House

66-68 Pentonville Road

London N1 9HS

CSV Employee Volunterering

A branch of the charity CSV, which acts as a broker to provide consultancy to organisations which wish to engage in employee volunteering, and develops and delivers volunteering programmes.

CSV

237 Pentonville Road

London N1 9NJ

Tel: 020 7643 1427
Email: Inicholls@csv.org.uk
Web: www.csv.org.uk/employeevolunteering

Department for Business, Innovation and Skills

BIS works with businesses, employees and consumers to drive up UK productivity and competitiveness to deliver prosperity for all. The department leads on the Government's corporate social responsibility policy.

**Ministerial Correspondence Unit
Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET**

Tel: 020 7215 5000
Email: enquiries@bis.gsi.gov.uk
Web: www.bis.gov.uk

do-it.org.uk

A national database of volunteering opportunities in the UK.

**do-it.org.uk
3rd Floor, 2-3 Upper Street
Islington
London N1 0PH**

Tel: 020 7226 8008
Email: info@do-it.org.uk

Heart of the City

A joint initiative launched in 2000 by the Bank of England, the Financial Services Authority and the Corporation of London to provide free support to City companies who want to get more involved in the community.

**Heart of the City
Economic Development
City of London
PO Box 270
Guildhall
London EC2P 2EJ**

Tel: 020 7332 3643
Email: info_heartofthecity@corpoflondon.gov.uk
Web: www.theheartofthecity.com

HM Revenue & Customs

HM Revenue & Customs is responsible for collecting the bulk of tax revenue, as well as paying Tax Credits and Child Benefits and strengthening the UK's frontiers.

HM Revenue & Customs Charities helpline
Tel: 0845 302 0203
Web: www.hmrc.gov.uk

HM Treasury

The Treasury is responsible for formulating and implementing the UK Government's financial and economic policy.

**The Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London SW1A 2HQ**

Tel: 020 7270 4558
Email: ceu.enquiries@hm-treasury.gov.uk
Web: www.hm-treasury.gov.uk

Cabinet Office

Office of the Third sector – with responsibility for the promotion of charitable giving and for volunteering.

**Office of the Third Sector
Admiralty Arch
The Mall
London SW1A 2WH**

Web: www.cabinetoffice.gov.uk/third_sector/

Institute of Fundraising

A professional body, established in 1983, that seeks to represent all fundraisers. It's mission is to develop, promote and champion excellence in fundraising.

**Institute of Fundraising
Park Place
12 Lawn Lane
London SW8 1UD**

Tel: 020 7840 1000
Email: info@institute-of-fundraising.org.uk
Web: www.institute-of-fundraising.org.uk

Volunteering England

Works to promote volunteering as a powerful force for change, both for those who volunteer and for the wider community. The organisation has an Employees in the Community Network for managers of employee volunteering programmes.

**Volunteering England
Regents Wharf
8 All Saint's Street
London N1 9RL**

Tel: 0845 305 6979
Email: information@volunteeringengland.org
Web: www.volunteering.org.uk

Acronyms

BIS	Business, Innovation and Skills
BITC	Business in the Community
CDFIs	Community Development Finance Institutions
CITR	Community Investment Tax Relief
CSR	Corporate Social Responsibility
GA	Gift Aid
HMRC	Her Majesty's Revenue & Customs
HMT	Her Majesty's Treasury
OTS	Office of the Third Sector
PRG	Payroll Giving
SMEs	Small and Medium sized Enterprises
URCs	Designated Urban Regeneration Companies
VAT	Value Added Tax
UK	United Kingdom

HM Treasury contacts

This document can be found on the Treasury website
at: hm-treasury.gov.uk

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Printed on 100% recycled paper.

When you have finished with it please recycle it again.

ISBN 978-1-84532-511-4

PU668

ISBN 978-1-84532-511-4



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