



"OVERALL AUDIT SERVICE AWARD" - WINNER 2009
Annual Charity Finance survey

not for profit | tax reliefs

team



Bernie Watson
Partner
020 7969 5510
bwatson@haysmacintyre.com



Richard Weaver
Partner
020 7969 5567
rweaver@haysmacintyre.com



Murtaza Jessa
Partner
020 7969 5551
mjessa@haysmacintyre.com



Anne Gregory-Jones
Tax Partner
020 7969 5520
agregory-jones@haysmacintyre.com



Noble Hanlon
Partner
020 7969 5548
nhanlon@haysmacintyre.com



David Sewell
Partner
020 7969 5568
dsewell@haysmacintyre.com



Adam Halsey
Partner
020 7969 5657
ahalsey@haysmacintyre.com

giving assets to charity

Since the beginning of April 2000, individuals and companies have been able to receive extra tax benefits on gifts to charities of qualifying shares and securities, by allowing a tax deduction for the value of the gift in addition to the existing exemption from capital gains tax for gifts of assets to charity. These extra benefits also apply to certain gifts of land on or after 6 April 2002 by an individual and on or after 1 April 2002 by a company.

This fact sheet outlines these extra tax reliefs and is based on our understanding of the position in May 2008.

qualifying shares and securities, and land

The following assets qualify for the tax relief:

- Shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market
- Shares and securities listed or dealt in on any overseas recognised stock exchange
- Units in an authorised unit trust
- Shares in an open-ended investment company (OEIC)
- Holdings in certain foreign collective investment schemes. (Broadly, these are schemes established outside the UK that are equivalent to unit trusts and OEICs)
- The whole of a beneficial interest in UK land - either freehold or leases for a fixed number of years.

relief

Individuals

The "deductible amount" is allowed as a deduction against the individual's income of the tax year in which the gift is made.

Deductible amount

This is:

- the market value of the asset at the date of the gift to charity, *plus*
- any incidental costs incurred in transferring the assets (such as broker's fees or stamp duty) *less*
- any disposal proceeds or other money, or the value of any other benefits the individual, or a person connected with him (such as a relative), receives in consequence of giving or selling the asset to charity.

This can be compared with making gifts of cash through Gift Aid under which the value



Tracey Young
Partner
 020 7969 5654
 tyoung@haysmacintyre.com



Kathryn Burton
partner
 020 7969 5515
 kburton@haysmacintyre.com

of a benefit that can be received is severely limited if the gift is to qualify for Gift Aid.

Claiming the relief

This can be done by claiming in the tax return for the year of gift, but for individuals, tax relief can be obtained more quickly by writing to the Inland Revenue and asking for the relief to be given in the current year either by inclusion in their PAYE code or by reducing payments on account.

Effect of the relief - for example:

Hope has £100,000 worth of shares with an inbuilt gain of £25,000. She has used her capital gains tax exemption for the year.

For the detailed calculations, please see Example A in the appendix.

The position depends on the individual's overall personal tax position, and it is advisable to seek detailed advice before making the gift.

relief

| | Charity Receives | Cost to Hope | Percentage gift by Hope |
|---|------------------|--------------|-------------------------|
| Give all the shares, claiming shares gift relief | £100,000 | £60,000 | 167% |
| Sell the shares to the charity for capital gains purposes | £25,000 | £15,000 | 167% |
| Sell all the shares at market rate, pay capital gains tax and pay net balance to charity, claiming gift aid | £122,436 | £76,125 | 161% |

Companies

The deductible amount is claimed as a charge on income in the accounting period in which the gift is made.

Ability of charity to accept a gift of shares or land

Most charities will be able to accept a gift of shares or land, but not all, so check first.

Date of the gift

This is the date on which the assets are transferred to the charity. In the case of shares in most cases this will be the date on which the stock transfer form is signed. It should then immediately be sent direct to the registrars. We suggest you also send a copy to the charity.

The legal requirements for the transfer of land are more complex and depend partly on

the part of the UK in which the land is situated. The gift will generally be made when the donor has done all he or she needs to do to effect that gift.

Evidence of the gift - shares

Individuals and companies will need to keep a dated copy of the document used to give the shares or securities to the charity ie the stock transfer form as well as evidence to support the value at that date.

Evidence of the gift - land

The charity must give the donor a certificate describing the land and extent of the interest given, the date of the gift and confirming it has acquired the interest. There are also anti avoidance rules specific to gifts of land dealing with situations such as where the donor subsequently acquires an interest in the gifted land in certain circumstances. Special rules also apply where there are joint or common interests in land.

The value of the assets

Shares or securities quoted in the London Stock Exchange Daily Official List

The lower of:

- The lower of the two quotations on the date of gift plus one quarter of the difference between those two figures, or
- The mid-point between the highest and lowest prices at which bargains were done on the day, except for bargains at special prices.

other assets

There are special rules for other types of assets. More information can be obtained from [haysmacintyre](#).

is it worthwhile giving assets and claiming the relief?

Individuals

For some people it may be better for them to sell the assets, give the net proceeds to the charity and claim gift aid on the cash gift, depending on how much they want the charity to benefit, and how much they want their own cost to be.

For example:

Faith has £800 shares, which is all capital gain i.e, she has no base cost. She makes no other capital gains in the year and is a basic rate tax payer.

| | Charity Receives | Cost to Faith | Percentage gift by Faith |
|------------------------|------------------|---------------|--------------------------|
| Use shares gift relief | £800 | £640 | 125% |
| Sell all the shares | £1,026 | £800 | 128% |

For the detailed calculations, please see Example B in the appendix.

Again, the position depends on the individual's overall personal tax position, and it is advisable to seek detailed advice before making the gift.

Companies

Most companies will be better off making the gift of assets and claiming the relief.

about haysmacintyre

haysmacintyre, Chartered Accountants and business advisers, works with over 550 charities and not-for-profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients requirements.

haysmacintyre is a founding member of MSI Global Alliance (MSI), an international alliance of independent legal and accounting firms, with 250 members in 100 countries.

APPENDIX

Detailed calculations

A. HOPE - a 40% taxpayer who pays capital gains tax on other gains

| Gift of all shares | Gift to Charity | Cost to Hope |
|--------------------|------------------|-------------------|
| Charity receives | £ 100,000 | £ (100,000) |
| Tax relief @ 40% | | 40,000 |
| | | £ (60,000) |

Sell the shares at capital gains cost to charity

| | | |
|------------------|-----------------|-------------------|
| Shares worth | £ 100,000 | £ (100,000) |
| Charity pays | 75,000 | 75,000 |
| Charity receives | £ 25,000 | |
| Tax relief @ 40% | | 10,000 |
| Net cost | | £ (15,000) |

haysmacintyre t 020 7969 5500
 Fairfax House f 020 7969 5600
 15 Fulwood Place
 London e marketing@haysmacintyre.com
 WC1V 6AY w www.haysmacintyre.com

Gift of all net sales proceeds to charity

| | | |
|------------------------------|-----------------|-------------|
| Shares worth | £100,000 | £ (100,000) |
| Gain | £25,000 | |
| Capital Gains tax rate | 18% | |
| Tax liability | (4,500) | |
| Net gift received by charity | £ 95,500 | |
| Charity recovery 22/78 | 26,936 | |
| Charity receives | £122,436 | |
| Tax relief @ | 20% | 23,875 |
| Net cost | | £ (76,125) |

B. FAITH - a basic rate taxpayer who does not pay capital gains tax on other gains

Gift of all shares

| | Gift to Charity | Cost to Faith |
|---------------------------------------|-----------------|----------------|
| Charity receives | £ 800 | £ (800) |
| Tax relief @ | 20% | 160 |
| | | £ (640) |
| Gift of all sales proceeds to charity | | |
| Shares worth | £ 800 | £ 800 |
| Gain | £800 | |
| Annual exemption 2008/09 | (9,600) | |
| Nil taxable so no tax | - | |
| Net gift | £ 800 | |
| Charity recovery 22/78 | 226 | |
| Charity receives | £1,026 | |
| Tax relief @ | 0% | - |
| Net cost | | £ (800) |



Disclaimer: This datasheet has been produced by the partners of haysmacintyre and is for private circulation only. Whilst every care has been taken in preparation of this document, it may contain errors for which we cannot be held responsible. In the case of a specific problem, it is recommended that professional advice be sought. The material contained in this datasheet may not be reproduced in whole or in part by any means, without prior permission from haysmacintyre.

