

Philanthropy just got easier

Or, can tax increases ever have a good side?

The recent Budget confirmed that, from 6th April 2010, earnings in excess of £150,000 will be taxed at 50%. For those engaged in philanthropy, if this is done via Gift Aid, there is a, perhaps unexpected, side-benefit of the tax increase.

Take an individual wishing to make a gift, via Gift Aid, of £8,000. The organisation receiving the gift can claim an additional £2,000, thus making the total gift £10,000¹. The gross gift, not the cheque written comes off the donor's income before calculating tax, meaning that total tax relief available is at the donor's highest marginal rate; thus for a person earning over £150,000, the total tax relief is £5,000, of which the recipient has claimed £2,000 – the donor can therefore claim a further £3,000 through Self Assessment.

Thus a gift of £8,000 becomes £10,000 in the hand of the charity, and it only costs the donor £5,000. Not a bad result, when one considers that best outcome last year was a net cost of £6,000 for £10,000 in the hands of the charity.

And there's more! If an individual earns more than £100,000 in tax year 2010/11, the Personal Allowance will be reduced by £1 for every £2 income is in excess of that figure. With the Personal Allowance at £6,475, individuals earning in that narrow band between £100,000 and £112,950, will see the net cost of a £10,000 gross gift reducing to only £4,000.

So if you were already considering engaging in philanthropy – and even if you weren't – it just got a lot more effective. So what are you waiting for? Excuse me! Hello! Just one question – what exactly is philanthropy?

According to the [Community Foundation for Northern Ireland](#), philanthropy is 'planned charitable giving with strategic purpose.' Strategic; planned; purpose – do those sound like familiar words? They ought to – your Certified Financial Planner^{cm} can help you work out what you can afford to do and when, and maybe even what you want your money to achieve. At Navigator, we then engage with the Foundation² to help our clients make that strategic purpose become real.

We believe that establishing a programme of philanthropic giving can be an integral and valuable part of anyone's financial planning arrangements, and are always delighted to work with people to help them understand their objectives, whether philanthropic or otherwise, and what resources they can afford to commit to attaining them.

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¹ On donations up until 5th April 2011, additional "transitional relief" is available, to compensate for the 2008 reduction in the basic rate of tax from 22% to 20%.

² A network of 56 Community Foundations operates throughout the UK performing similar excellent work.

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