



Introduction

Thames Community Foundation has prepared this pack for use by professional advisors who provide estate or financial advice to clients.

We believe that the services on offer from Thames Community Foundation will be of great relevance and help to some of your clients and useful to you as professional advisors.

Thames Community Foundation is the ideal vehicle for those who wish to put something back into the communities in which they have lived and worked. By channelling funds directly into grass root community projects Thames Community Foundation aims to improve the quality of life for disadvantaged people in Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth.

Who are we?

Thames Community Foundation is an independent grant making charity. Our purpose is to support community based projects that make a real difference to the quality of life for local people who are disadvantaged.

Thames Community Foundation acts as a vehicle for individuals, families and companies who want to put something back in to their local community. We offer advice on the best way to make your client's donation work for the community and on the most tax efficient ways to give.

Uniquely, we endeavour to match the interests of our donors with the needs of the community and to offer donors a say in how their gift will be used.

Thames Community Foundation is striving to build a permanent endowment fund to generate an ever-increasing income to help the people of Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth in the future.

We exist to promote local philanthropy and to provide a service to those who wish to give. We have accumulated a great deal of local knowledge, providing a voice to sections of the community that all too often go unheard and a means of reaching out to those who wish to help.

Thames Community Foundation can accept gifts in many ways including cash, shares and legacies.

This pack aims to illustrate ways of maximising charitable giving while minimising your clients' tax bills and to highlight the role that Thames Community Foundation can play for both your clients, and for the communities in Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth.

In all cases Thames Community Foundation offers your clients:

- A non bureaucratic process to establish a fund- it is easy and quick with no expensive legal or statutory requirements to satisfy. Our administration charges are very low, normally just 1% per annum
- Management of your investments, using professional fund managers.
- Advice on the most tax efficient ways to give.
- A guarantee that your client's gift will be used locally and in accordance with their wishes.
- Proven expertise in grant making with an excellent record and in-depth knowledge of local needs. As such we can target gifts very accurately.
- Regular updates on the work of Thames Community Foundation and our grant making programmes. We can also arrange for donors to visit some of the projects they have helped.
- An opportunity, through our endowment fund, to make a gift that will benefit the community forever.

The Benefits of giving through Thames Community Foundation

Flexibility

Thames Community Foundation can provide a tailor made service to reflect the wishes of each donor. This covers all aspects of the fund's operation from targeting areas of special interest to the extent to which a donor wishes to be involved in the grant making process. Through Thames Community Foundation gifts may be made to any charitable or voluntary project that benefits the local community.

Convenience

Named funds can be set up quickly and easily. Much of the work involved in registering a new charitable trust and the consequent time and expense can be avoided as Thames Community Foundation already has the people and framework in place. Only a simple written agreement is needed, which can be amended later if so desired. Thames Community Foundation undertakes all the day to day work involved in administering the grant making programme, from handling enquiries to making decisions as well as fulfilling all the accounting and reporting requirements.

Meeting needs

In the six boroughs in which we work many of the needs are hidden from view. Moreover, smaller, less well-known groups undertake a great deal of vital work in the community. It can be difficult to find out about local charities and projects that need support. The Foundation's local knowledge can help to identify suitable recipients and reach those who might not otherwise find the funds they need. We can guarantee that money donated to us will only be spent locally and in support of any charitable, educational or benevolent purpose.

Expertise

Thames Community Foundation is governed by a Board of Trustees with a wide range of skills and experience, and an extensive knowledge of the local community and its needs. It has established comprehensive grant making policies and procedures, ensuring each application is dealt with efficiently and assessed carefully. Thames Community Foundation also has access to professional advice, for example, in managing its growing investments.

Permanence

Thames Community Foundation is here to stay. By building a substantial, multipurpose endowment fund for the community, the Foundation is not only helping to tackle today's needs, but also developing the means to address the needs of future generations. Anyone who is considering a legacy to the local community can be assured that Thames Community Foundation will continue to ensure that their charitable wishes are honoured in perpetuity

What is an Endowment Fund?

Establishing an endowment fund with Thames Community Foundation is a way of guaranteeing a permanent source of grant revenue for worthwhile cause in Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth

Every pound donated is carefully invested to generate earnings that are used to fund a variety of community programmes and services each year. Over time a contribution used in this way can generate revenues of many times the value of the original gift. An endowment fund allows a supporter's gift to last forever.

Many donations received by Thames Community Foundation are pooled into a general or *unrestricted* fund from which grants are made to a wide variety of causes. This fund is very much the life blood of Thames Community Foundation since it allows our highly experienced grant assessors to respond not only to current needs within the local community but also to be adaptable as needs change over time.

It is not unusual, however, for a major benefactor to want to specify a particular area of interest that they are keen to support. This may be a specific project or group, a general theme, such as helping children, a geographical area within Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth, or a combination of all six.

Equally the benefactor may choose to become involved in the grant making process, either by sitting on the local panel or by asking us to research suitable projects and report back with funding suggestions.

In these cases we would normally recommend a minimum contribution of £50,000. This can be paid over a number of years and may well attract substantial tax benefits (see following section). We can arrange for such a fund to be "named" in order to carry forward the name of the benefactor or that of a relative or friend.

In all cases Thames Community Foundation offers a simple cost effective and efficient way of putting something back into the community whilst at the same time removing the burden of administration that is usually associated with establishing a charitable fund.



Setting Up a Named Fund

- Thames Community Foundation (TCF) gives grants and advice to local charities and community groups. Our main aim is to build an Endowment Fund for Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth to provide a regular and permanent source of income and advice for voluntary projects in our communities.
- We also aim to make charitable giving more effective and rewarding for individuals and companies active in our area. Setting up a Named Fund is a simple and effective way of helping local causes and creating something of lasting value. A Named Fund has all the advantages of a private charitable trust, with TCF carrying out the administration on the donor's behalf.
- The income generated from a Named Fund will benefit the local community in perpetuity. The donor can specify any particular area of interest, either geographic or by particular need (e.g. young people, education, the elderly). Alternatively a fund can be unrestricted, giving TCF greater flexibility to identify and help groups most in need across our communities.
- Donors can give the fund a name of their choice.
- A Named Fund can be established with a pledge of £25,000 or more. This can be paid as a one-off gift, or pledged over a four-year period.
 - A Company is able to set the *whole* amount of the donation against Corporation Tax.
 - A tax-paying Individual can, through Gift Aid, make a pledge net of tax. Thus, a £20,000 fund will require a donation of just £15,600 p.a. and TCF can claim £4,400 from the Inland Revenue. Higher-rate taxpayers may also claim further income tax relief, via their annual tax return, on the gross amount of the gift, effectively reducing the donation required for a £20,000 pledge to £12,000.
- The Named Fund will be invested in line with Thames Community Foundation's Investment Policy and managed by appointed fund managers. The policy ensures that the value of the fund is protected and the maximum amount generated for grant-aid. Donors can add to the fund at any time. Companies often do so as a result of staff fundraising activity, for example, while individuals may add to a fund to celebrate an anniversary, or as a result of a bequest.
- Thames Community Foundation makes an annual charge of 1% of the capital value of the fund to cover administration costs.
- If you are interested in setting up a Named Fund with Thames Community Foundation, we recommend you initially contact Nigel Hay, Director on 0208 943 5525 or by email on tcf@btconnect.com

Named Funds- A Service for Donors.

Thames Community Foundation can offer donors a tailor-made service, by creating and managing a separate, ring-fenced Named Fund. Each has its own terms of reference and can be set up to reflect the donor's particular charitable interests and concerns. The Foundation makes grants only within agreed guidelines, and donors can be involved in decision-making as much, or as little, as they wish.

When an individual or organisation wants to set up a Named Fund, we will usually arrange to meet them to find out more about their particular interests and circumstances. A simple agreement will then be drawn up, setting out the key issues about the kinds of causes that will benefit and how the fund will operate in practice.

What Types of Fund Are Managed by Thames Community Foundation?

Unrestricted or field of interest

- Unrestricted funds enable grants to be made to a wide range of causes. In practice, the projects supported will follow the Foundation's overall grant making strategy. However, the needs of a community will change over time and the flexibility of an unrestricted fund is helpful to the Foundation in the longer-term.
- Field of interest funds enable grants to be made only within specific agreed limits. These may be defined in one or a combination of the following ways:
 - geographical area (e.g. a borough, town or district)
 - beneficiary group (e.g. children, people with disabilities, older people)
 - purpose (e.g. training, equipment, holidays)

Discretionary or advised

- Discretionary funds enable the Foundation to make grants without prior reference to the donor, either generally or within the limits of a specified field of interest. The donor receives details of all grants made by way of regular reports.
- Advised funds enable donors to become more involved in grant making decisions, if they so wish. The extent of involvement can vary according to individual preference.

Endowment or pass through

- Endowment funds are invested for the long-term, under professional management, with the aim of long-term growth of capital and income. Grants are made from the income earned year by year. Such funds enable the Foundation not only to make grants today, but also increase its capacity to meet the community's future needs.
- Pass through funds are used to make grants in the short-term, usually within a year of receipt. Such funds increase our capacity to meet current needs.

What Options Do Named Fund Donors Have?

A Named Fund can be completely unrestricted. This is ideal for the individual or corporate donor wanting to support a wide range of causes in Hammersmith & Fulham, Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth. The Foundation does all the work in assessing applications, while grants can be made in the donor's name.

Alternatively, a Named Fund can have its own field of interest, with the aim of directing support to a certain part of our area, for a specific section of the community, or for a particular kind of charitable cause or purpose.

Donors wishing to define a field of interest for their Named Fund can select from a wide range of options, illustrated below:

The area of benefit

- The whole Thames Community Foundation area.
- A particular Borough.
- A district in a Borough.
- A particular neighbourhood community.

The kinds of causes.

- A broad range of local community needs, i.e. unrestricted
- One of the Foundation's priority areas.
- A group with particular needs.
- Any other cause of special personal interest.

The kinds of grants.

- Whatever local charities need most, i.e. unrestricted
- A particular purpose.
- A certain size.

Care has to be taken in defining the field of interest for a Named Fund. It is advisable not to have too narrow or specific a field of interest, which can lead to difficulties in finding a sufficient number of potential beneficiaries who fall within the criteria. This is all the more important with endowed funds, as the community's needs are likely to change over time.

A fund, which is established on a fully discretionary basis, is ideal for the donor who is content to rely on the Foundation's grant making experience and expertise.

Alternatively, a donor may wish to become more involved. This can range from wanting more frequent reports on how the Fund is operating, to taking an active role in looking at requests, making decisions and visiting projects.

The final responsibility for all grant-making decisions made from any of the funds managed by Thames Community Foundation lies with its Board of Trustees

Donors seeking a greater involvement in their Named Fund can select from a range of options:

The decision-making process

- Receiving information about proposed grants before they are made by the Foundation
- Selecting projects to be supported from a shortlist provided by the Foundation
- Nominating possible grant recipients from time to time for assessment by the Foundation
- Meeting with Foundation staff to discuss possible areas for future grant making

The amount of information

- A more frequent report including extensive descriptions of all grants made
- An occasional article ready-made for inclusion in a staff newsletter

Contact with beneficiaries

- Presenting grants that have been awarded from the Fund
- Visiting projects that have received grants from the Fund

All Named Fund donors receive a report on their Fund, including details of all grants made. This is in addition to the Foundation's *Annual Review* and newsletter.

Setting up a Fund

Establishing an endowment fund with Thames Community Foundation is a very straightforward process. The following steps are involved.

Named Fund

The donor elects a name for the fund.

Purpose

The general criteria for the fund are agreed.

Investment.

The funds are invested with Thames Community Foundation's general endowment fund in order to maximise the annual returns available for grant making. Whilst donations are pooled for investment purposes grants made from "named " Funds will be clearly identified.

Size of Fund

Obviously the larger the fund the greater the grant making power. Clearly there are no upper limits to an individual fund. However, the Thames Community Foundation would recommend a minimum fund size of £25,000. Funds can be built up over a maximum period of five years.

Tax Recovery

Recent changes enable charitable donations to be offset against tax which can reduce the real cost of giving by 40% for a higher rate taxpayer. (See tax benefits section Pages11-12).

Charges

Thames Community Foundation makes a 1% per annum endowment fund management charge, which covers investment management, grant making and administration. In special circumstances and with prior agreement of the donor we recharge at cost direct administrative expenses such as printing. In most cases, however, this is covered by the 1% annual charge.

Tax benefits

With effect from April 2000 any gift, regular or one off, large or small, qualifies for Gift Aid providing that the donor completes a simple Gift Aid Declaration. This declaration can be completed by post and does not involve any complicated procedures. Once completed the declaration operates for all future donations to Thames Community Foundation by that individual, if desired.

If the donor is a basic rate taxpayer no further tax relief is due, as on making the cash donation to the charity the donor is treated as making the payment net of basic rate tax, currently 22%, and the charity reclaims the tax paid by the donor.

If the donor is a higher rate taxpayer, the additional relief may be claimed on the difference between the tax at higher rate and the basic rate, i.e. 18% (40%-22%) in the donor's annual Self Assessment tax return. With effect from 17th April 2002 this may be carried back to the previous year. Tax efficient donation by way of Gift Aid is not just limited to those paying basic or higher rate income tax. The Inland Revenue booklet IR65 confirms that 10% tax credits on dividends and Capital gains Tax can also be used to "frank" a gift aid donation.

Example 1.

A donor makes a payment under the Gift Aid scheme of £780 to Thames Community Foundation. This gift is treated as a gift made net of basic rate tax.

Tax benefits for the donor.

If the donor is a basic rate taxpayer, then no further relief is due to the donor. If the donor pays tax at higher rate then the tax paid at the higher rate less the basic rate may be claimed by the donor on the grossed up equivalent of the payment.

$$£780 \times 18/82 = £171$$

The real cost of the £780 gift to the donor is £609, (£780-£171).

Tax benefits for Thames Community Foundation

Thames Community Foundation receives £780 from the donor and can reclaim the basic rate of Income Tax from the Inland Revenue.

$$£780 \times 22/78 = £220$$

Therefore Thames Community Foundation receives £780 plus £220 = £1000

In other words Thames Community Foundation receives a donation of £1000 which costs a higher rate taxpayer £609.

Example 2

A gift of £250 would cost a higher rate taxpayer £195.13 and result in a total gift of £320.51.

Tax benefits for the donor (higher rate tax payer)

$$£250 \times 18/78 = £54.87$$

The “real” cost to the donor is £195.13 (£250 -£54.87).

Tax benefits to Thames Community Foundation

$£250 \times 22/78 = £70.51$

Therefore, Thames Community Foundation receives £320.51 (£250 + £70.51).

Gift Aid Declaration

The amount of information required on a Gift Aid declaration is to be kept to a minimum but must include:

- The donor’s name
- The donor’s full address and post code
- The charity’s name and Registration number
- A description of the donation to which the declaration relates
- A declaration that the donation is to be treated as a Gift Aid donation.

An example of a Thames Community Foundation Gift Aid Declaration form is attached at the end of this pack.

Gifts of Land and Buildings

As of April 17th 2002 gifts of land or buildings will be entitled to income tax relief based on the market value of the land or buildings at the time of the gift.

To find our more....

If you would like to obtain more information about tax implications the Inland Revenue has produced a booklet about giving to charity. You can contact the Inland Revenue direct by telephone on 0845 9000 404 or visit their website www.inlandrevenue.gov.uk.

Tables

Real value of Gift Aid Donations to Donors and Thames Community Foundation

All Taxpayers

Basic rate of tax 22%

Higher rate taxpayers only

Cash donation from post tax income £	Basic rate tax reclaimed by Thames Community Foundation £	Total amount received by Thames Community Foundation £	Reclaimed by taxpayer 18% (40% - 22% of gross) £	Net cost to taxpayer £
100.00	28.21	128.21	21.95	78.05
250.00	70.51	320.51	54.67	195.33
500.00	141.03	641.03	109.75	390.25
1000.00	282.05	1282.05	219.51	780.49
5000.00	1410.26	6410.26	1097.56	3902.44
10,000.00	2820.51	12820.51	2195.12	7804.88
15,000.00	4230.77	19230.77	3292.68	11707.32
20,000.00	5641.03	25641.03	4390.24	15609.76
30,000.00	8461.54	38461.54	6585.36	23414.64
40,000.00	11282.05	51282.05	8780.48	31219.52
50,000.00	14102.56	64102.56	10975.61	39024.39
100,000.00	28205.13	128205.13	21951.21	78048.79

Named Funds: A Questionnaire

The questions set out below aim to cover all the main issues to be considered when planning to set up a new Named Fund within the Foundation. You may find it helpful to work through them, in order to clarify your thoughts about what you would like your Fund to do.

- If you wish to give the Foundation maximum flexibility to meet the needs of our communities, an unrestricted fund can be created, simply by answering 'NO' to questions 2 to 7.
- If you wish to leave a lasting legacy for the benefit of future generations an endowed fund can be created, by answering 'NO' to question 8.
- If they have any special charitable interests or concerns, these can be expressed below.

The Foundation is very happy to meet you, or discuss such issues with your Professional Advisers, at any time. This is particularly important in order to ensure that any doubts or queries are resolved and that Thames Community Foundation will manage the Fund in a way that accurately reflects the donor's intentions.

1. **The name of the Fund: do you have a particular name in mind?** YES/NO
(for example: the Smith Family Fund, the John Jones Memorial Fund)
(NB if you prefer your fund to be anonymous, please let us know)

If YES, please state the name here.....

2. **The area of benefit: do you want to focus on a certain part of our area?** YES/NO
(for example: the individual district or town where you live)
(NB it is generally advisable not to make the geographical area too small)

If YES, please specify the area here.....
(If NO, the Foundation will be able to make grants wherever needs arise in our area.)

3. **The kinds of causes: do you have special charitable interests or concerns?**
YES/NO
(for example: children, young people, people with disabilities, older people)
(NB a fairly broad definition is advisable, particularly if there is also a geographical limit)

If YES, please describe the kinds of causes here.....
.....
(If NO, the Foundation will be able to make grants to meet a wide range of local needs)

4. **The kinds of grants: do you want to help people in a particular way? YES/NO**
(for example: buying equipment, funding special trips, paying for training courses)

If YES, please describe what you want to do here.....

.....
(If NO, the Foundation will be able to make grants for whatever charities most need)

5. **The grant recipients: do you want grants to benefit individuals directly? YES/NO**
(for example, individual children or young people, families, older people)

If YES, please say whom you want to benefit here.....

.....
(If NO, the Foundation will make grants only to organisations, i.e. local charities and voluntary groups, as is the case with the majority of the funds that it manages)

6. **Specific beneficiaries: do you want to name any individual charities? YES/NO**
(for example, a favoured cause could either receive a one-off gift, or a fixed percentage of the annual income from an endowment)
(NB If the named charity ceases to exist, the Foundation will ensure that your gift is used for a similar purpose)

If YES, please give their names and details of the proposed gifts here.....

7. **Exclusions: do you want to rule out any particular kinds of cause? YES/NO**

If YES, please state here.....

.....
(If NO, the Foundation's standard exclusions will apply)

8. **The type of fund: do you want the whole of the capital to be distributed? YES/NO**

If YES, the Foundation will establish a short-term, pass through fund

If NO, the Foundation will establish an endowed fund to make grants on an annual basis

(NB Donations can also be split between these two options, if you want to be able to make a number of immediate grants, as well as establish a lasting fund for the future.)

Company Giving

Donations by limited companies

From 1 April 2000 donations are no longer eligible for Gift Aid but must be paid to Thames Community Foundation gross. The amount of the donation can, however, be offset against Corporation Tax so long as it is included in the company's tax return.

For example, (assuming your company pays Corporation Tax at the full rate of 30%) the company is now required, in order to make an effective donation of £10,000 to the Thames Community Foundation to actually pay £14,300 and then reclaim from the Inland Revenue £4,300 by means of relief against Corporation Tax.

Payroll Giving

The upper limit of £1,200 pa has now been abolished so that an unlimited amount can be contributed via payroll giving. In addition, the Government will now supplement all donations by an additional 10%.

Gift of land or buildings

From 17th April 2002 gifts of land and buildings are entitled to corporation tax relief based on the market value of the land or building at the time of the gift.

Gifts of shares

A gift of qualifying shares to Thames Community Foundation is not subject to Corporation Tax and the value of those shares can be claimed as a deduction against the profit chargeable to Corporation Tax of the company.

While the savings are substantial they are not as great as for individuals because the full corporate tax rate is only 30% as compared to the top Income Tax rate of 40%.

Example

Your company owns quoted shares worth £500,000, which cost £25,000.

Either your company could sell and pay up to £190,000 Capital gains tax,

Or

You could donate the shares to Thames Community Foundation and your company would then receive a Corporation Tax deduction of up to £150,000 (30% of the value).

Result

Your company donated £500,000 to Thames Community Foundation and it has cost only £160,000 (the shares given away were worth £310,000 after capital gains Tax liability offset by the £150,000 received by way of reduction in Corporation Tax).

Gifts of Shares and Securities by Individuals

Following the introduction of additional incentives in April 2000, giving shares has become even more attractive. The combination of available benefits makes it a highly tax-effective way of giving, worthy of full consideration as part of the tax planning process.

Example 1- Outright gift of shares

Andrew, a higher rate taxpayer who has used up his Capital Gains Tax exemption, decides to give £10,000 worth of ABC shares that he purchased for £5000.

He receives Income Tax relief (40% of the capital value of the shares) of £4000.

He also avoids paying Capital Gains Tax (40% of capital gain value £10,000 - £5,000) of £2,000.

The net cost to Andrew is therefore £10,000 minus £6,000 i.e. £4,000.

Meanwhile Thames Community Foundation receives shares with a market value of £10,000.

He is therefore able to make a gift that is worth 2.5 times more to the charity than it costs him.

In general the higher the capital gain, the greater the potential benefit to the donor.

For example Andrew also has £10,000 worth of XYZ shares that he bought for only £2,000. He could opt to give these shares instead.

He would receive Income Tax relief, as before of	£4,000
He would also avoid paying Capital gains Tax of	<u>£3,200</u>
	£7,200

His gift of £10,000 is now worth 3.6 times more to the charity than the £2800 it cost him.

Example 2- Sale of Shares below market value

Christine, a higher rate taxpayer who has already used up her annual Capital gains Tax exemption, wants to get back the £10,000 she paid for shares that are now worth £20,000. She decides to donate the increase in their value as a way of starting to build up a named fund at Thames Community Foundation.

She sells the shares to Thames Community Foundation at the original price; i.e. she makes a donation of the full amount of the capital gain.

Thames Community Foundation receives shares worth £20,000 at a cost of £10,000, i.e. a gift of £10,000.

Christine receives tax relief for the £10,000 gift at 40% of £4,000.

She also avoids paying Capital Gains Tax of 40% on the £10,000 capital gain of £4,000.

Tax relief plus Capital gain = £8,000.

Christine also has the proceeds from selling the shares to Thames Community Foundation of £10,000.

Total gain for Christine £18,000

The full after-tax cost of making a £10,000 gift is £20,000 minus £18,000 i.e. £2,000.

By donating the full amount of the capital gain, Christine can make a gift that is worth up to five times as much to Thames Community Foundation as it costs her. This is just as tax effective, therefore, as an outright gift of shares that were originally received free of charge.

These examples ignore the unknown impact of Indexation on any tax charge calculation.

Further examples can be found in the Inland Revenue leaflet IR178 "Giving Shares and Securities to Charity". You can contact the Inland Revenue by telephone on 0845 9000 404 or visit their website www.inlandrevenue.gov.uk.

Table: Illustration of share gifts of differing values and with varying Capital Gains Relief

Value of shares to Foundation (A)	Original cost to donor	Capital gain	40% of capital gain	40% of value of gift	Actual cost to Donor (B)	Multiplier * A / B
10,000	0	10,000	4,000	4,000	2,000	5
10,000	5,000	5,000	2,000	4,000	4,000	2.5
25,000	10,000	15,000	6,000	10,000	9,000	2.8
25,000	20,000	5,000	2,000	10,000	13,000	1.9
50,000	10,000	40,000	16,000	20,000	14,000	3.6
50,000	30,000	20,000	8,000	20,000	22,000	2.3
75,000	25,000	50,000	20,000	30,000	25,000	3
75,000	50,000	25,000	10,000	30,000	35,000	2.1
100,000	30,000	70,000	28,000	40,000	32,000	3.1
100,000	70,000	30,000	12,000	40,000	48,000	2.1
200,000	100,000	100,000	40,000	80,000	80,000	2.5
200,000	150,000	50,000	20,000	80,000	100,000	2

* for example, if a higher rate taxpayer makes a donation of shares that have doubled in value since he purchased them, then his gift may be worth 2.5 times more to the charity than it cost him.

(This is based on a Table produced for the Craigmyle Guide to Charitable Giving and Taxation)

Questions and Answers

Question 1

When does tax relief apply and how is it claimed?

Answer

Tax relief can be claimed by individuals and companies who will give, or sell, at less than market value, any qualifying investment (see Q.3) to the charity. Individuals should claim relief in their Self Assessment tax returns and companies should claim via their Corporation Tax Self Assessment.

Question 2.

What records should be kept?

Answer

Acceptable records would include detailed stock transfer forms and correspondence in connection with the gift, such as a thank you letter and receipt from the charity.

Question 3.

What are qualifying investments?

Answer

- Shares and securities listed on the UK stock exchange (including the AIM).
- Shares and securities listed on recognised foreign stock exchanges.
- Units in authorised unit trusts.
- Shares in UK investment companies.
- Holdings in certain foreign investment schemes.

Question 4.

How shall the shares be valued for the purposes of tax relief?

Answer.

This should be the market value of the shares at the time that they are given to Thames Community Foundation.

Question 5.

Can the costs of disposing of the shares be included in tax relief?

Answer.

Yes. Any incidental cost incurred in making the donation can be added to the valuation figure used for tax relief.

Question 6.

What if the shares are sold to the charity below market value?

Answer.

The amount of relief claimed will be based on the market value at the time of the sale minus the price paid by the charity. Again incidental costs may be taken into account.

Question 7.

What is the Capital Gains position if the shares are given or sold at the same value as when they were purchased?

Answer.

Since this transaction results in neither loss nor gain, there is no relief available to the donor.

Question 8.

What is the tax position if the charity asks the donor to sell the shares and then pass on the proceeds?

Answer.

As long as there is satisfactory evidence that the charity asked for the shares to be sold on its behalf by the donor, then entitlement to relief will not be affected.

The Inland Revenue have produced a leaflet called IR178 "Giving Shares and Securities to charity". To receive a copy contact the Inland Revenue direct by telephone on 0845 9000 404 or visit their website www.inlandrevenue.gov.uk.

Checklist for Professional Advisers

Determine the size, identity and form of the donation.

Size: does the donor have a specific sum in mind, in terms of either the cost to him or herself, or its value to the charity?

Identity: if there are various shareholdings, which would be the greatest benefit? (For example, because they carry the greatest capital gain).

Form: Does the donor want to make an outright gift, or to sell the shares below their current market value and receive a share of the proceeds?

Contact the charity, or ensure that the donor does so, in order to clarify the wishes of both parties on two key issues:

The form of the gift:

- Is the donor happy for the charity to sell the shares whenever it wishes and would the donor be happy if the charity opted to receive cash instead?
- Is the charity happy to receive the shares, or would it prefer the donor to arrange a gift and immediate sale, and receive the cash (for example because the shares would not fit well within the overall portfolio)?

How will the gift be made?

Ensure that the appropriate procedures are initiated for the gift to be made:

- Gift of shares: the donor sends the appropriate letter to the charity, together with the share certificate (if applicable).
- Gift and immediate sale, or sale below market value: the appropriate letters are exchanged between the donor and the charity, before the sale of shares takes place.

Record details of the gift for inclusion in the donor's tax return.

Case Studies

Turning shares into an investment in the community.

The stories of two community foundation donors.

- 1 A London man bought shares in an IT company, which subsequently soared in value. He was on a high salary and likely to receive an Income Tax bill in the region of £12,000.

He decided to keep shares to the value of twice the original purchase price and to give the rest to his local community foundation. As he specified that the income from this investment should be used to benefit the people of a particular area the community foundation set up a separate named fund in order to fulfil his wishes.

By giving away £30,000 of shares he cancelled out his tax £12,000 tax bill. He also avoided Capital Gains tax, having paid less than £12,000 for the shares in the first place

The beauty of this scheme was that it enabled him to turn a relatively small amount of money into a much more substantial donation. By giving away the shares he did not need and would otherwise have kept, he missed out only on the dividend income from the shares (say 2-3%). Instead of writing a cheque for £1,000 and feeling that he had done what he could, he gave up income of £900 a year and increased the community foundation's assets by £30,000!

This shows that, in effect, people who have enough capital in shares need not pay income tax year after year; instead they can calculate their tax bill and give away sufficient shares to cancel it out. Better still, they can also say, like this man, that their tax is being spent in a community they know and love and on the kind of projects that matter to them.

- 2 A woman in Southern England agreed to sell 10,000 shares at cost (£1.80) to her local community foundation. As the market price of the shares was £5.80 the value of her gift to her community was £40,000.

She decided to do this because she was interested in supporting local charities and saw the community foundation as a way of coordinating this. The gift was used to establish a fund in the name of her family.

The donor was also impressed by the tax efficiency of this arrangement. Not only was she able to realise some cash (£18,000 sale price for the shares) but she could also claim tax relief at her highest rate on the full value of the gift of £40,000.

Legacies

Until recently, there has not been a simple way in which individuals can leave money to their local community in which they may have lived and worked for many years.

This is because there is usually no single charity that embraces the whole community

It is also true that local charities tend to be smaller and younger than national ones. They are not perceived as being as 'permanent', and therefore as likely still to be in existence when the legacy is likely to take effect, perhaps many years later.

Thames Community Foundation is able to fill this "gap". Its commitment to building a permanent, substantial and multipurpose endowment for the local community means that it will certainly be in existence to receive such a legacy and fulfil the charitable wishes of the donor.

Thames Community Foundation welcomes legacies of all kinds, including:

A pecuniary legacy-By which an individual leaves a specific sum of money to Thames Community Foundation. Not only will the individual donor receive Capital Gains Tax relief, but, as a result of recent changes to the tax system, they would be able to claim Income Tax relief, in the final tax return filed after the death for the market value of the shares on the date of the gift.

A residuary legacy- If the individual has living relatives or other causes which they would like to see benefit from their will in priority to Thames Community Foundation, then a residuary legacy would ensure that Thames Community Foundation received either all or part of their estate after these prior legacies had been paid.

A reversionary legacy- No one wants to leave a loved one with insufficient funds to live on after their death. A reversionary legacy would ensure that, following the death of the surviving partner and only then, the balance of the estate would pass to Thames Community Foundation.

A deed of variation- An individual dies leaving their estate to be shared among a number of relatives. However, this leaves the estate with significant exposure to Inheritance Tax. By means of a Deed of Variation executed in favour of Thames Community Foundation no more than two years after death, the family of the deceased can not only cut the tax liability but also provide a lasting memorial to the deceased that will bring benefits in perpetuity to local causes dear to the deceased's heart.

Inheritance Tax

The total value of a person's estate is calculated on their death. The tax threshold is set annually in the Budget. If an estate is worth more than the tax threshold the amount above the threshold is liable for Inheritance Tax. The current tax threshold (as at 6th April 2006) is £285,000 and the rate of Inheritance Tax is 40%.

No tax is paid on wealth that is passed to a surviving spouse. However, this simply delays paying tax until the spouse dies. Anything that is left to people other than spouse- children for example- will be liable for Inheritance Tax if the estate exceeds the tax threshold. Even money given to friends and relatives before death will be included in the tax threshold if it was given up to seven years prior to death. The only exceptions to this rule are gifts of £3,000 in each tax year, plus £3,000 from the previous year if this was not used.

Both husband and wife can give this amount each year. Wedding gifts and gifts in anticipation of Civil Partnership are exempted to the amount of £5,000 from each parent or stepparent, £500 from each grandparent and great grandparent, and £1,000 from other friends and relatives.

When a legacy is left to a charity, the gift is totally tax free- regardless of the amount. Moreover, the value of the gift is deducted from the total gross value of the estate. This may reduce the amount on which tax is payable.

For example, if the value of the estate is £10,000 over the tax threshold, £4,000 in tax must be paid. However, if a legacy of £10,000 is left to a charity, no tax is payable on the estate as the legacy is tax exempt. This action would bring the estate within the tax threshold, reducing the true cost of the £10,000 gift to £6,000.

Leaving shares as a legacy to the community.

Shares and securities may be particularly suitable for this purpose, as assets that can often comprise a larger part of an estate than cash in bank or building society accounts, and can be realised more easily than property. The donor can still continue to receive the income during their lifetime; moreover, all such gifts can be made entirely free of Inheritance Tax.

If the donor has no intention of selling the shares because, for example, they were inherited many years previously and have been kept ever since, it may be possible to identify the specific shareholding in the will.

Alternatively, it may be possible to express the gift as all of the donor's shares and securities.

Specimen protocols for legacies to Thames Community Foundation appear below. If the donor wishes the legacy to add to an existing named fund, a statement to this effect can simply be inserted into this clause. Should the donor wish the legacy to be used to create a new named fund, we would recommend a discussion at an early stage, if possible, in order to ensure that it is set up in a way that will fulfil the donor's charitable wishes,

We recommend that legal advice is always obtained when preparing a will.

Will Wording – Suggested Protocols

I GIVE to Thames Community Foundation of NPL-Building 1, Room 201/206, Hampton Road, Teddington, TW11 0LW, registered charity number 1001994.

The sum of £....

or

(state fraction or percentage) of the residue of my estate

or

The sum of £.... Linked to the Retail Price Index from the date of this Will

or

The following items of jewellery/ furniture/ property (etc)

or if the donor wishes to specify the purpose(s) to which the gift is to be put

to be used by the said charity at its discretion for the benefit of ...(specify)

and / or if the donor wishes to specify the area (within Hammersmith & Fulham , Hounslow, Kingston, Merton, Richmond, Sutton and Wandsworth) in Hounslow/ Kingston (etc)

and if the donor wishes to be commemorated or to remember a loved one through the gift

and I request that the said gift shall be known as “theFund”

Codicil wording

I..... of..... declare that this to be a (first/second/etc) codicil to my will dated.....

I give to Thames Community Foundation of NPL-Building 1, Room 201/206, Hampton Road, Teddington, TW11 0LW, registered charity number 1001994 the sum of £..... And I declare that the receipt of any of its officers shall be a good discharge of my Executors/Trustees. It is my wish but without imposing a trust that the said sum shall be used for.....

.....

Signed by me this..... Day of.....200...

Signature.....

Signed by in our presence and by us in his / hers

Witness

Witness

.....

.....

Address

Address

.....

.....

.....

.....

.....

.....

Specimen wording for a legacy gifting shares to Thames Community Foundation

“ I give to Thames Community Foundation (registered charity number 1001994) absolutely (**specific shareholding**) my shares in

(**general instruction**) all my stocks and shares in any public limited company

to be applied by Thames Community Foundation for its general charitable purposes at the discretion of the Trustees and in accordance with the terms of its Deed of Trust and I direct that the receipt of the Honorary treasurer or other proper officer of the Foundation for the time being shall be a full and sufficient discharge to my Executors / Trustees

Specimen letter for a share gift to Thames Community Foundation

Outright gift of shares, where a share certificate is held

Date

Nigel Hay
Director
Thames Community Foundation
NPL- Building 1- Room 201/206
Hampton Road
Teddington
TW11 0LW

Dear Mr Hay,

I am pleased to make a donation of XXX shares in XXX plc to Thames Community Foundation.

(If appropriate, specify the purpose of the gift e.g.

“I would like this gift to be used to establish the XXX Family Fund at the Foundation and look forward to discussing this further with you” or, “ I would like this gift to be used to help build the Foundation’s endowment for the community”).

The shares are listed on the XXX Stock Exchange, are owned by me and are registered in my name (if applicable: under reference number XXX).

A certificate for XXX shares is attached. (If applicable: Please return the certificate for the balance of XXX shares to me in due course.)

A completed CREST transfer form is being forwarded today under separate cover.

With best wishes.

Yours sincerely

Thames Community Foundation as an alternative to an independent charitable trust.

You may be deciding to make a large commitment to charity and considering establishing your own charitable trust. We offer an attractive alternative to the expense and administration burden of setting up and maintaining an independent charitable trust.

There is no need for lengthy, legal agreements nor will you incur any charges for establishing a Fund with Thames Community Foundation. Neither will you have to produce separate accounts and deal with lengthy tax rules- we will handle all this.

It is widely recognised that forming an independent charitable trust for less than £250,000 is not cost effective. Due to our low cost professional administration, worthwhile returns can be realised on any Fund of £25,000 or over. We can also normally establish a Fund virtually immediately as soon as we receive the cheque (within weeks of you first contacting us). It will take considerably longer for you to establish your own Trust.

As with other Funds, you can have as much or as little say as you wish in how the income from your donation will be distributed and invested. You can set your own criteria (we will use our local knowledge to help if needed).

All grants distributed will be done in the Fund's chosen name and you (or your chosen representatives) can be involved at all stages in the decision making process.

For the larger Funds we can produce individual promotional literature and, if required, arrange publicity. If you prefer to give anonymously you can, of course, do so.

Establishing a Fund with Thames Community Foundation instead of setting up an independent charitable trust offers the following advantages:

Permanence. Running a Trust takes a considerable amount of time and incurs many responsibilities. However much you may wish to undertake the management of your own trust, you cannot guarantee that future generations will feel the same way. Setting up a Fund with Thames Community Foundation allows each generation to have as much or as little say in the running of the fund as they wish.

Experience. Thames Community Foundation is experienced and knowledgeable in all aspects of administration concerning the grant application and distribution procedures. We are also able to ensure that the grants are used wisely and in accordance with your wishes. We can use our expert knowledge of both local issues and charities to help direct grants to where they are needed most.

Local Giving. We are a **local** charity, so you will be able to see where your Fund's income is being spent. We will give you regular updates on the performance of your Fund and grants given. We can arrange for you to visit projects you have funded (or potential projects you are considering to fund). If required, we will find projects that will fit your criteria for you to consider.

Strength. By establishing a Fund with us, you will help to contribute to our wider aim of improving the quality of life for local people, strengthening the help we can offer the community. Because your Fund will be held with the Foundation's other funds, your Fund gains the advantages of higher returns and increased financial stability.

Flexibility. You may choose to establish a fund with us rather than establishing your own charitable trust because of the flexibility we can offer. The purpose or remit of your Fund can be changed at any time by writing to the Foundation.

Convenience. Establishing a Fund with Thames Community Foundation is convenient and simple. With our Funds any sum, large or small can be given and the total can be built up over a number of years. We will reclaim any tax paid and, if the supporter is a higher rate taxpayer they can benefit from the additional 18% (at current rates) higher rate relief. A gift will not be subject to Inheritance Tax if it bequeathed as a legacy. We can also receive gifts in the form of shares and property (again as a charity we will not be liable to any accrued Capital Gains Tax).

As the Foundation's trustees consist of a cross section of people, representing our boroughs, you may choose to become actively involved with the foundation itself. We welcome involvement from supporters in our work.

Example of Gift Aid Declaration for individuals

giftaid it

I would like Thames Community Foundation to reclaim tax on the donation of £ that I made on / /200 and on any further donations that I may make in the future.

Title.....

Forename(s).....

Surname.....

Address.....
.....

Post Code.....

Signature.....

Date...../...../200...

Please complete and return this form to:

**Thames Community Foundation
NPL-Building 1- Room 201/206
Hampton Road
Teddington
TW11 OLW**

Telephone: 020 8943 5525

Please note:

- 1 This GIFT AID declaration covers any payment that you may make to Thames Community Foundation now or in the future.
- 2 For your donation(s) to qualify for GIFT AID you must pay an amount of income tax and / or capital gains tax at least equal to the amount Thames Community Foundation will reclaim on donation(s) within a tax year.
- 3 If you are unsure whether your donation(s) qualify for GIFT AID tax relief, please contact Thames Community Foundation or ask your local tax office for leaflet *IR113 Gift Aid*.
- 4 You can cancel this declaration at any time by notifying Thames Community Foundation
- 5 Please notify us if you change your name or address.
- 6) If you pay tax at the higher rate you can claim further relief in your Self-Assessment tax return.
- 7 We would like to hold your name & address so that we can send you information about the work of Thames Community Foundation.

We will not make this information available to anyone outside Thames Community Foundation.

May we hold your name in this way?

Please contact us if you do not want us to hold this information.

Reg. Charity No.1001994

For office use only Receipt number.....