



**Helping you to effectively deliver your**

**Corporate  
Social  
Responsibility**

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## **Helping You To Help The Community**

### **Creating Impact Through Your Charitable Giving**

Many companies, no matter how large or small, are now looking at giving to the community as a way to increase their interaction with their local community, to increase their profile, reputation and public image and to bring extra benefit to their business. Many people are aware that giving to their community can help them, but are unsure as to how and unsure as to what benefits they can reap. Giving effectively can be a time consuming process and can take a lot of effort and energy, with no guarantee that it will accomplish what you want it to.

There used to be 3 main ways of giving back to your local area;

- Firstly through making awards to local people or small charities, but this was often a minefield – making sure that the right people benefitted and that your money achieved the results you wanted were difficult things to keep a check on.
- Secondly by offering pro-bono support or fundraising – but again you had to make a choice of which charity you would support, and conversely which ones you would not support – and why one charity was more important than the other.
- The third option, and often the most expensive, was to establish a trust in the name of your business, to ensure that your giving made a long term difference, but this is also expensive and time consuming and adds to a workload with tasks that are rarely the specialism of the business.

However, now the Staffordshire Community Foundation can turn this long and difficult process into the easiest of tasks, by maximising the benefits, minimising the risks and taking care of all the hard work for you, as well as ensuring that you never have to say no again.

We can work with you to make the most of your charitable giving, helping you to achieve exactly what you want to with the minimum of effort. All this and more is done through a Donor Advised Fund – a fund that we can manage for you, but where all decisions are left in your hands.

### **The Benefits of a Donor Advised Fund**

Donor Advised Funds can help you to target your charitable giving far more effectively than ever before. You can make it as focused or wide ranging as you like and can be sure of achieving what you want to with the minimum of fuss.

Essentially, setting up a donor advised fund is like having your own charitable trust, but with far less expense and work than ever before – and better still, whilst you will get all the credit for your charitable giving, we do all the hard work for you, so you don't have to.

The table on the next page summarises the key differences in establishing your own charitable trust and establishing a donor advised fund, but really the two biggest differences are cost and administration. Even if you have previously established a charitable trust you may find the task of giving the money away effectively time consuming and arduous, so some donors have both – a charitable trust in their own right and a Donor Advised Fund to distribute to the community.

	<b>Donor Advised Fund at SCF</b>	<b>Charitable Trust</b>
<b>Start-up Procedure</b>	Simple agreement	Registration with the Charity Commission
<b>Costs</b>	5% set-up fee, 1% p.a. (typical)	£10,000 Set up costs, Average £10,000 p.a.
<b>Time To Establish</b>	Immediate	Average 6 months
<b>Minimum Contribution</b>	£10,000 for named flow through fund £25,000 for named endowed fund	No minimum requirement, but an endowment of £750,000 is often seen as a minimum for a trust to be viable
<b>Added Value</b>	We can add 50% of your original donation through match funding	None
<b>Tax Status</b>	Covered under SCF's charity status	Covered by registration with the Charity Commission
<b>Reporting</b>	SCF takes care of reporting to the Charity Commission through its annual report and accounts	The donor/trustee must maintain all financial records, prepare accounts and submit to the Charity Commission
<b>Donor Control</b>	Trustees of the SCF take on legal and fiscal responsibility for the donor's funds, while the donor recommends grants to organisations vetted by the SCF	Donor appoints board of trustees to control all aspects of grant making and investments
<b>Philanthropy Advice</b>	SCF provides full service advice to donor	Donor/trustees responsible for own giving strategy
<b>Grant making service: expertise, administration, follow-up</b>	Professional staff available to help identify and assess grantees; provide input on community needs; and ensure follow-up with recipients. Reports back to donor	Donor responsible for own grant making process, administration and oversight
<b>Privacy</b>	SCF can maintain donor anonymity if wanted	Charitable trusts must keep public records
<b>Profile</b>	SCF can help as much or as little as required	Responsible for own profile
<b>Geography</b>	SCF mainly operates in Staffordshire, but can partner with other county's Community Foundations to deliver national or regional initiatives.	Donor/board of trustees determines their geographic reach.
<b>Reach</b>	SCF connect donors to a variety of groups and issues in the community. SCF connects like-minded donors	Must find own networks and information resources

*“As a general rule of thumb, I advise my clients that a charitable trust needs to be endowed with at least £750,000 in order to generate sufficient income to be viable. Even when a client knows precisely what they want to do, the preparation to the Charity Commissioners for registration can typically cost £10,000. An annual audit is likely to cost £5,000, and just the day-to-day administration can add another £5,000 per annum.”*  
*Tim Thornton-Jones, Partner, Lawrence Graham Solicitors*

Even if you decide that having your own charitable trust is the right move to make, the effective distribution of any income your trust generates can be difficult to manage.

The Staffordshire Community Foundation is also on hand in this instance, to help with the practicalities of grant distribution and impact measurement. This can be performed on a consultancy basis or by establishing a 'flow through fund', (where the income from your trust is effectively distributed immediately or to your own specified time frame).

We can also work with existing and established charitable trusts who struggle to effectively give their money away, a problem that is far more common than many realise, especially when you want anything you give to have a solid outcome.

We also work with donors who are looking for a different or more effective structure to their giving.

If you do choose to set up a Donor Advised Fund there are many ways to give, both financially and in kind, or through a mixture of the two. It may be best to use one way as opposed to another, but if you would like more advice, we can look at what you want to achieve and the difference you want to make to people and put together a bespoke proposal that meets your aims, and your budget.

In addition, there are many benefits available to companies who donate this way – some centred on your company or business image and some financial benefits too. We always advise to check with your accountant or tax advisor prior to making a donation if you are planning to use this to reduce tax, but some of the general details are featured in the next sections. The information given here only applies to donations made to or through the Staffordshire Community Foundation and may differ for donations to other organisations.

## Ways To Give

### Financial Donations from Companies

When your company donates to the Staffordshire Community Foundation you can claim tax relief. Financial donations should be paid gross, before any tax deductions are applied. Any donation made is deductible from the profits of your business when calculating the amount of Corporation Tax that you must pay.

### Donations that don't qualify for Corporation Tax relief

You will be unable to claim tax relief on your donation if it is;

- a donation that you want to be repaid by us
- a donation where you have received a significant benefit in return
- a donation that must be used to buy goods or services from your company, (but please see the section on donations of goods or services)
- a donation made up of dividends

### How to claim Corporation Tax relief

In your company tax return you can deduct the amount of the donation from your profits. When you make a donation to us you will always receive a thank you letter. This letter should be kept for accounting purposes as it also acts as a receipt for your donation.

Whilst you can deduct donations from your profits, you can't use a donation to create a loss. You can't carry your donation forward either, so it must be claimed against your profits in the financial year of your donation.

## **Ways To Give**

### **Financial Donations from Sole Traders and Partnerships**

Tax benefits from making monetary donations from Sole Traders and Partnerships work in a different way to companies. As a sole trader/partnership you pay Income Tax on profits, as opposed to Corporation Tax. This means you can take advantage of the tax relief that is available to individuals through your Self Assessment Tax Return.

Donations attract tax relief in two ways – firstly we can claim Gift Aid on your donation at the basic rate, which means that for every £100 you donate to us it is worth £125, at no extra cost to you. Secondly, if you pay the higher rate of tax you can claim extra tax relief when completing your Self Assessment form, but you can't write off your donations against your profits.

#### **Sole Trader Declarations**

In order to allow us to claim Gift Aid on your donation at no extra cost to you, you will need to complete a Gift Aid declaration, a very simple form that is available through the Staffordshire Community Foundation. You only need to make one declaration per charity and can ask that this declaration covers current, past and future donations to us. If you wish to change this in the future you simply need to let us know.

#### **Partnership Declarations**

A single partner can make a Gift Aid declaration on behalf of all of the partners of a partnership, providing the terms of the partnership agreement allow for this. The declaration needs only show the name and address of the partnership.

If this is not the case then each partner would need to state their name and address on the Gift Aid declaration, but these can all be added to one form.

## Ways To Give

### Donations In-Kind of Goods & Services

If you choose to donate 'in-kind' by donating equipment or services you are still eligible to claim tax relief on these donations, but it works in a slightly different way to monetary donations.

By donating equipment you can reduce the taxable profits of your business by the cost of the donation. This is available to all businesses, whether you are a sole trader, a partnership or a company.

In addition, your company can claim tax relief for the 'secondment' of employees to us, such as for volunteering opportunities or where you are fulfilling your Corporate Social Responsibility aims by providing volunteering placements.

### Donations of Equipment

You may be able to benefit from full capital allowances on any equipment you donate. Generally speaking, you must have used the equipment at some point in your normal business work to qualify for this relief. It must also be considered 'plant and machinery' for capital allowance purposes, but this term extends to things like office furniture, computers, printers, assorted IT equipment and vehicles. Tax relief is given bringing a 'nil disposal value' to your capital allowances, rather than having to base things on market value.

### Donations of Stock

By donating stock, or anything your business makes or sells, you can claim the cost of the donation in your business accounts. You don't have to include these items in your income and consequently can reduce your taxable profits by the full cost of the donation. This is not the same as a 'notional trading receipt' where donations may be made to other organisations but cannot be claimed against taxable profits. You'll still need to account for VAT on the donation unless you give it to us for one of the following purposes;

- To sell
- To hire out



## **Secondment & Employee Volunteering**

If you place one or more of your employees with us on 'secondment' or for volunteering purposes, even if we place them with another community organisation to help fulfill a volunteering aspect of your Corporate Social Responsibility, you can treat the cost as a business expense. You can still include them in your taxable business profits as if they were still working at their usual place of employment. This includes their salary, employer's national insurance and any business expenses incurred. You should remember that you will still need to operate PAYE as before.

## **Purchase of Goods For Donation To Charity**

If you purchase goods or services which are then donated to charity then it won't be included as a business activity for VAT purposes, meaning that you won't have to account for VAT on the items you've purchased to donate. However, you won't be able to claim back any VAT on these items either.

## Ways To Give

### Sponsorship

You may choose to sponsor us as an organisation, or to sponsor one of our events, or to sponsor another community group or charity through us as part of your wider Corporate Social Responsibility policy, or as a way to get involved in something that is relevant to your business. This could be a one off agreement or a regular ongoing amount.

Sponsorship in this way is regarded as a business expense, and can be claimed against your profits for tax purposes, as you are receiving something in return for your payment. The exact return is different depending on the sponsorship agreement. We would need to pay tax on this payment as it would be classed as trading income, unless we can claim exemption.

### The Difference between Sponsorship and Donations

If you make a donation then simple publicity, like a mention in our newsletter, on our twitter, facebook or linkedin feeds or via a press release wouldn't change the nature of this. Whilst you can receive valuable positive publicity by highlighting your links to us and charities and the wider community across Staffordshire, it wouldn't count as a return on your donation. A company, (but not a sole trader or partnership), can claim this donation as a 'qualifying charitable donation' and we won't pay any tax on the donation either.

### Tax Relief For Sponsorship

You can claim tax relief for sponsorship payments if we provide something in return for your donation, such as mass publicity. Examples of things we may provide in return for your donation can include, but are not limited to;

- A public endorsement of products or services
- A permanent mention on our website or literature for the period of sponsorship
- The use of our logo to promote your charitable connections and support
- The right to sell your goods or services at our events
- A link from our website to your own 'online store'

Generally you can treat any payment to us as a business expense if you receive a reasonable return. However, there are occasions where your donation could be split between a donation and sponsorship.

## **Ways To Give**

### **Payroll Giving**

Payroll Giving, or Give As You Earn, is a way for your employees to make regular donations to us directly from their pay. People who receive a company or personal pension through PAYE can also use this method as a way to donate. All payments are made directly through the salary before tax is deducted, which means that donors get immediate tax relief on their donation, and at their highest rate of tax. Payroll Giving is becoming a more and more usual way of donating to charity and so it's quite easy to set up a payroll giving scheme. There is little cost in administration and the majority of payroll systems are already set up to manage it.

### **How It Works**

If you decide to run a payroll giving scheme you will need to make deductions from the pay of participating employees from their salary. These donations are made after National Insurance contributions have been calculated, but before PAYE is calculated. All donations taken are then passed on to a licensed payroll giving agency, who will then pass the donations on to us. There will be no extra tax forms for you to fill in.

### **Benefits of Giving In This Way**

Everyone can benefit from Payroll Giving. For the employer it is a good way to build good relationships with your employees. We would benefit through a regular payment. Your employees would benefit as their donation is taken pre-tax, meaning that if they donate £10 it will only cost a standard rate tax payer £8 and a higher rate tax payer £6, but we will still receive £10.

### **Setting up a Payroll Giving Scheme**

You will need to register with a Payroll Giving Agency. Each agency is a charity in its own right and a list of them can be found on the HMRC website. Although you may want your employees to support us, there is no legal obligation for them to do so and they are free to opt in and opt out of payroll giving as they see fit.

### **Costs Involved With Payroll Giving**

The bulk of the work for Payroll Giving is handled by the Payroll Giving Agency and it is they who will meet the costs. They may make a small charge for the service, but this is taken from each donation and is offset by the tax relief that they can claim. You are free to pay this cost as your part of the donation and if you choose to do this you must remember to offset this against your profits for tax purposes. Once the system has been established then it becomes a regular part of your payroll procedure.

### **What You Need To Keep**

If you set up a Payroll Giving scheme you will need to keep the following documents;

- Your contract with the Payroll Giving Agency
- The employee forms requesting you to make a donation on their behalf
- A record of all deductions that you make
- A record of the money you pass on

The information contained in this booklet is only intended as a guide. As with many things, charitable giving is a personal choice and not everyone wants to do it in the same way. We all have different aims and things we want to achieve with our charitable giving.

This booklet highlights some of the main ways in which we can help, and works on a very general basis. However, if you are interested in giving something back to your community and want to use the Staffordshire Community Foundation to make this effective, we can tailor a bespoke package for you.

These packages are designed to get the best for you, for your business and for the community as a whole, and there is no extra charge for creating a tailored package.

For more information please feel free to contact us, and we can discuss things over the phone, arrange a meeting at our offices so you can also see our work first hand, or meet you at another location of your choosing.

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