

TAX INCENTIVES – DONATIONS FROM COMPANIES

Partnerships can take advantage of **Gift Aid** and hence increase their original gift three fold.

The tax relief goes to the company rather than the charity. The company gets tax relief by deducting the amount of the donation from its profits for tax purposes and so pays less corporation tax. This means that a company can perhaps consider or afford to give more.

Corporate Example:

The Office of the Third Sector (part of the cabinet Office) is providing incentives to individuals and businesses to build endowments that will benefit small community groups, through the Grassroots Grants programme. The programme will run from July 2008 to March 2011 and will provide match funding to new community endowments during this time.

Match Funding Opportunities:

Examples of 3 Year Pledge of £5000	Year 1	Year 2	Year 3	Total
Donation	£5,000	£5,000	£5,000	£15,000
Add Government Match at 1:1 ratio	£5,000	£5,000	£5,000	£15,000
Minus 5% commission	£250	£250	£250	£750
Net donation	£4,750	£4,750	£4,750	£14,250
Total fund created	£9,750	£9,750	£9,750	£29,250
Examples of 3 Year Pledge of £10000	Year 1	Year 2	Year 3	Total
Donation	£10,000	£10,000	£10,000	£30,000
Add Government Match at 1:1	£10,000	£10,000	£10,000	£30,000
Minus 5% commission	£500	£500	£500	£1,500
Net donation	£9,500	£9,500	£9,500	£28,500
Total fund created	£19,000	£19,000	£19,000	£58,500
Examples of 3 Year Pledge of £20000	Year 1	Year 2	Year 3	Total
Donation	£20,000	£20,000	£20,000	£60,000
Add Government Match at 1:1 ratio	£20,000	£20,000	£20,000	£60,000
Minus 5% commission	£1,000	£1,000	£1,000	£3,000
Net donation	£19,000	£19,000	£19,000	£57,000
Total fund created	£38,000	£38,000	£38,000	£117,000
Examples of 3 Year Pledge of £30000	Year 1	Year 2	Year 3	Total
Donation	£30,000	£30,000	£30,000	£90,000
Add Government Match at 1:1 ratio	£30,000	£30,000	£30,000	£90,000
Minus 5% set up fee on donor donation	£1,500	£1,500	£1,500	£4,500
Net Donation	£28,500	£28,500	£28,500	£85,500
Total fund created	£57,000	£57,000	£57,000	£175,500

Donations are increased by **1.95 times** the original gift before tax relief is claimed. Companies claim tax relief for charitable donations by deducting the amount of the donation from its profits for tax purposes and so pay less corporation tax. **This can reduce the actual donation by 28%**, the standard rate of corporation tax.

