

# TAX RELIEF ON CHARITABLE DONATIONS

The Association of Guernsey Charities  
proposal for increasing the value of  
donations to local charities

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## What are you trying to do, what are you asking for?

The rules that provide for charities to reclaim tax on charitable donations are that tax can only be reclaimed on donations made to Guernsey Registered Charities, from a minimum donation of £500 to a maximum donation of £5,000. Elsewhere (e.g. the UK and Jersey) the limits are much higher - £50 lower limit/£500,000 upper limit in Jersey and no limits in the UK.

We are asking for Guernsey's limits to be raised to match the UK, by introducing the UK Gift Aid scheme.

Also, there are no provisions that allow for donations made directly from payroll to be made net of tax. This is common in many other places, such as Jersey and the UK, but not in Guernsey, and it encourages small but very valuable ongoing donations. We would like this too.

## You say you have been asking quietly for some time?

Yes. Over the past three years we have discussed it with the Treasury Minister on several occasions, with the Chief Minister and with the Deputy Chief Minister. We have also repeatedly raised it at the Third Sector Liaison Committee meetings.

## What is the States proposing to do?

At this stage T&R has agreed to commission "a project to review the economic benefit of charitable giving, the options available with regard to tax relief, and the overall costs and benefits".

Proposals for change will be announced in October 2016 as part of the 2017 budget.

## Surely it will cost the Guernsey taxpayer money that T&R can ill afford?

It is true that there will be a tax cost to this, but the total income for the Third Sector will be five times the amount of any tax. Those funds will be used directly to assist with charity missions in Guernsey, most of which are connected to Social Policies pursued by the States of Guernsey, and would ultimately reduce the amount needed to be spent by the States. For every £1 contributed from tax, £5 will be spent on charity missions.

## How much do you think it will cost the States?

In the UK, total Gift Aid for 2014/5 amounted to £1.2bn; Guernsey's population is about 1/1000th the size of the UK, so we would expect about £1.2m if the UK regime were introduced here.

This is about £900,000 more than is rebated in tax under the current arrangements.

We would draw a comparison with Guernsey's Overseas Aid budget of over £3m. We agree that the States should fulfil its obligations to support lesser-developed countries, but would ask them to prioritise their obligations to Bailiwick charities. Even if they agree to introduce UK style Gift Aid, we would not expect tax rebates to exceed a third of the Overseas Aid budget.

	Tax rebated for charitable donations (per income taxpayer, per year)	Implied charitable donations (per income taxpayer, per year)
Guernsey	£9	£45
UK	£40	£200
Guernsey Overseas Aid payments (per income taxpayer, per year)	£95	

## How does this work now?

Until a person has donated at least £500 to charities, no claim can be made.

If a person donates between £500 and £5,000 (£10,000 for married couples) to a charity (and completes a form to submit to the Income Tax Office to confirm their local tax status) the charity can then submit further detailed forms to Income Tax to "reclaim" the amount of tax paid on the donation.

**Effectively, a charity can increase the donation by 25%.**

If the donation exceeds £5,000/£10,000 the deduction is restricted to that limit.

## So how would Guernsey Gift Aid work?

A person decides to run a marathon for a Guernsey charity. A friend (a Guernsey tax payer) decides to contribute £100. This would be seen as a “gross donation” of £125 (i.e.  $\text{£}100/0.8$ ), and provided he has paid at least £25 in tax, the charity would get £100 from the donor plus £25 from the States Income Tax, £125 in total.

## How would payroll-giving work?

Payroll-giving is a tax efficient method for anyone to make regular charitable donations. Payroll-giving schemes are operated widely throughout the world as they encourage greater voluntary contribution, and charities know they will receive a regular income and can plan accordingly.

An employee gives his employer an instruction to donate £50 per month to a registered Guernsey charity or charities. This is deducted from his Gross Pay when calculating tax payable, and reduces his monthly tax bill by £10. The employer pays the £50 directly to the charities.

## Has this really helped charity fundraising in Jersey and the UK?

Most certainly. Charities in Guernsey all struggle for funding. With Lottery Grants the AGC sees applications for over three times as much as there are funds available. In Jersey, it is vastly different - there are clearly more funds available; apart from the Lottery funds (where Jersey charities share all the proceeds of the States' Lotteries, compared to Guernsey where we get only the proceeds of the Christmas lottery) there are a several well-known major charity benefactors. In Guernsey you can count major sources of charity funding (i.e. those with funds of above £100,000) on the fingers of one hand. The lack of a tax incentive in Guernsey is probably the most important reason that we are less successful in raising major sources of funding for charities.

If the figure of £1.2m rebated in tax becomes the case for Guernsey, this will mean that £6m has been donated to local charities. This cannot be anything other than an enormous boost to local good causes.

## Remind me what the Social Compact is and why the States is so keen for it to work?

In September 2014 the States of Guernsey signed a Social Compact with the AGC, which acknowledged that charities are often better placed to help deliver some government services both more efficiently and more effectively.

Overall, if it becomes successful, then the cost of many of the States of Guernsey's social policies would reduce, yet be more effectively targeted and delivered.

However, so far there has been limited enthusiasm on the part of charities to engage with this; one reason for this is clearly their inability to be able to afford more ambitious missions through the lack of funding. Changing the rules to encourage charitable giving can only help this process.

## What is your message to T&R?

Every £1 of taxpayers' money you put in raises £5 for charities. That can only be good for social policy in Guernsey.

Guernsey is very generous to Overseas Charities; think about local charities too.

And please make sure that this initiative continues to a successful conclusion after the States' reorganisation in April 2016.

**The case for updating the limits whereby charities can reclaim tax on donations, and for the introduction of a local payroll-giving programme, has been made by the Association of Guernsey Charities, which represents over 300 organisations in the Bailiwick of Guernsey.**

**Further information about the Association of Guernsey Charities and its members can be found online at [www.charity.org.gg](http://www.charity.org.gg)**

