



## Fund Options and Contributions

A Named (donor-advised) Fund with Kent Community Foundation can be set up in two ways:

➤ **As an Endowment Fund - minimum donation of £100,000:**

For philanthropists who want to provide a lasting legacy for their local community and perhaps pass the heritage of giving on to the next generation of their own family, then endowed Funds are extremely powerful. An endowed Fund is invested to produce an annual income which is distributed as grants each year.

For Endowment Funds, where the money is invested in perpetuity and the income used as grants, a set-up contribution of 2.5% of the original donation is made to KCF, and this is capped at £5,000. We work on a total returns policy of 5% which means a guarantee that we will distribute 3.5% of the revenue from the overall endowment to your chosen cause or theme. KCF's contribution is 1.5% per annum. There are no further additional costs if you decide to top up your endowment in future years.

*For example, for a donation of £100,000 the contribution to KCF would be £2,500. Presuming that the monies provided are personal and eligible for gift aid, we would also be able to claim gift aid on your donation, so you could have a pot of £122,500 (your donation + GA of 25% and minus KCF's contribution).*

➤ **As a Flow through Fund – minimum donation of £25,000 for a named fund:**

If a long term commitment is unsuitable, then a Fund-holder can put their money to work straightaway through a flow-through Fund which is distributed in full over a set period of time. This can be set up as a one-off Fund or as an on-going Fund that is topped up regularly, usually annually.

For Flow-through Funds, where the money is spent down over a set time period, usually one year, we tend to set a contribution of 10% of the original donation to KCF. If you are recommending a charity and there is no due diligence or follow-up required we would take 1% for administration.

*For example, for a donation of £100,000 the contribution to KCF would be £10,000. Presuming that the monies provided are personal and eligible for gift aid, you would also be able to claim gift aid on your donation, so you could have a pot of £115,000 (your donation + GA of 25% and minus KCF's contribution).*

Alternatively, donors can pool their contributions through our themed programmes:

**KCF's Themed Programmes – minimum donation of £10,000 for a named fund:**

KCF's Priority Themes target some of Kent's key social challenges. The advantage of pooling donations with other funders is that KCF can measure the collective impact in each of these target areas. Donating to our themed funds means that your donation will be going to the highest area of need in Kent:

- **Children, Young People & Families:** tackling poverty of opportunity
- **Elderly and Isolated Adults:** reducing social isolation
- **Vulnerable Adults:** empowering people to stay well and independent
- **Employment, Skills & Enterprise:** helping those furthest from the workforce



## Tax-efficient giving for individuals

Advice about charitable gifts from individuals is available from HM Revenue and Customs. A summary of key information is below. If you have a personal accountant, we recommend you consult them for advice about the most tax effective gift for you.

### **Gift Aid**

Gift Aid enables charities you support to get extra money on your donation without it costing you a penny more. To make a Gift Aid donation, you must be a UK taxpayer. Your donation is treated as if basic rate income tax had been deducted: charities can therefore reclaim that tax from HM Revenue & Customs (HMRC).

For example, on your donation of £10,000, we can claim £2,500 in Gift Aid, meaning your gift total will be £12,500.

### **Tax relief for higher rate taxpayers**

If you pay tax at the higher rate, you can claim back the difference between the higher rates of tax (40% or 45%) and the basic rate (20%) on the total value of the donation.

For example, if you pay the 40% rate, a donation of £10,000 allows you to recover £2,500, so the donation costs you only £7,500 net, but the Community Foundation receives £12,500.

If you pay the 45% rate, a donation of £10,000 allows you to recover £3,125, so the donation costs you only £6,875 net, but we receive £12,500.

### **Self-Assessment giving**

If you complete a Self-Assessment tax return and are entitled to a tax refund, you can choose to have all or part of the repayment sent directly to a charity of your choice. This is called 'Self-Assessment Giving' or 'SA Donate'. You can also ask the repayment to be made as a Gift Aid donation. HM Revenue & Customs (HMRC) sends your refund (plus any Gift Aid tax repayment) directly to the charity by electronic transfer.

### **Gifts of assets: land, buildings, shares etc.**

Individuals can get tax relief on gifts to charity of certain listed shares, securities and other investments. You can get income tax relief, in addition to the capital gains tax relief on gifts of assets to charity. The tax relief applies if you give, or sell at less than market value, any qualifying investments to a UK charity.

### **Payroll giving**

An unlimited amount can be contributed to charity via payroll giving. It costs you less to give because your donation is given to charity from your gross salary before any tax is taken off – so you don't pay tax on it.



## Giving in your will

If your estate is liable to Inheritance Tax you could choose to leave money to charity to reduce the overall amount of tax due from your estate. You could either leave a fixed sum (known as a 'Pecuniary Legacy') or part or all of your estate once other gifts have been distributed (known as a 'Residuary Legacy').

You can do this through your will, or simply by a declaration to the executors giving instructions as to how, and to which charity, your legacy is to be distributed. Gifts made to a UK charity in the seven years prior to your death are also covered by the same exemption from Inheritance Tax.

Your personal accountant or solicitor will be able to advise on the best option for you.

## Tax-efficient giving for companies

For information about gifts from companies to charity, we advise you to visit the HMRC website.

## Donations by limited companies

Your company's donation to charity is deductible from its total profits when calculating Corporation Tax. Corporate donations are not eligible for Gift Aid.

## Gifts of land, buildings or shares

Your company could benefit from Corporation Tax relief if it gives land, property or qualifying shares to a charity, or sells them to a charity at less than their market value.

## Payroll giving

An unlimited amount can be contributed to charity via your employees' payroll giving. It costs your employees less to give because their donation is given to charity from their gross salary before any tax is taken off – so they don't pay tax on the gift.

## Tax-efficient giving and legacies

Legacy gifts are exempt from inheritance tax and could reduce the total amount of tax paid on your estate. From 6 April 2012, if you make a gift in your will to charity of at least 10% of your net estate, the rate of inheritance tax due on the taxable part of the estate is reduced from 40% to 36%. A gift of 10% can leave the same amount available to your other beneficiaries as one of 4%. Any gift greater than 4% but less than 10% results in your beneficiaries receiving **less money** than they would have done if the gift was for 10%. Here is an example.

On an estate of £1m, after deducting the nil-rate band (£325,000 to 2015) the net estate is £675,000.

- a) If a gift of 10% of the net estate is made then:
  - **£713,800** would be payable to the other beneficiaries
  - **£218,700** would be payable in Inheritance tax (at the new 36% rate)
  - **£67,500** would come to the charity
  
- b) If a gift of 4% of the net estate is made then:
  - **£713,800** would be payable to the other beneficiaries
  - **£259,200** would be payable in Inheritance tax (at 40% rate)
  - **£27,000** would come to the charity
  
- c) If a gift of 8% of the net estate is made then:
  - **£697,600** would be payable to other beneficiaries
  - **£248,400** would be payable in Inheritance tax (at 40% rate)
  - **£54,000** would come to the charity

