

Stop Press - Budget Report 2007 - Charity Highlights

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The 2007 Budget was announced on Wednesday. Key points for charities and other not-for-profit organisations include:

Income Tax

Basic rate income tax will be reduced from 22% to 20% from April 2008. This will have the unfortunate consequence of reducing the gift aid that charities can claim from 28p to 25p on every £1 donated under the gift aid scheme.

For example, a donation of £1000 to a charity is currently worth **£1282.05** in the hands of the charity after it has claimed gift aid.

From April 2008 - when the tax rate change comes into effect - a donation of £1000 will be reduced in value for the charity to **£1250**.

For donors who pay higher rate tax at 40% the converse is true: if the donor in the example above were a higher rate tax payer, he or she would currently be able to reclaim * £230.77* from HMRC. This will rise to **£250** from 6 April 2008.

Fundraisers may wish to highlight the effect of these changes and to encourage higher rate tax payers in particular to increase the amount of their donation to offset the impact of the change on the charity.

Gift Aid - Uplift in Donor Benefit Allowances

There is better news for fundraisers in relation to changes to the donor benefit rules under the gift aid scheme. Currently, the benefit that a corporate or individual donor may receive in relation to a gift aided donation of over £1000 to a charity or community amateur sports club is limited to 2.5% of the value of the donation with an upper limit of £250. The limit will be increased to 5% with an upper limit of £500. This will apply to donations made on or after 6 April 2007.

The government also plans to launch a campaign to increase awareness of the gift aid scheme.

Funding – Third Sector Financing

From Spring 2008, the Futurebuilders fund will be open to third-sector organisations working across all public services. Currently the Futurebuilders fund is only available to organisations working within one or more of the following five public service areas: crime, community cohesion; education and learning; support for children and young people; and cross-cutting themes.

A further £80 million will be provided to grass-roots community organisations to *'promote community action and voice'* and £11 million from the Invest to Save Budget will be distributed among twenty-four new projects that support *'innovative approaches to the delivery of local services by third-sector organisations'*. The Invest to Save Budget is a joint Treasury/Cabinet Office initiative that aims to create sustainable improvement in the capacity to deliver public services in a more joined up manner.

Community Investment Tax Relief (CITR)

The rules governing how money raised under CITR may be used will be made more flexible. The little-known CITR scheme is intended to stimulate private investment in disadvantaged communities by providing a tax incentive to individuals and companies that invest in not-for-profit and profit-seeking enterprises in or serving those communities.

A copy of the Budget Report may be found at

www.hm-treasury.gov.uk/media/79B/4F/bud07_complereport_1757.pdf .

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