

## Giving White Paper

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**CATEGORY:**

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The Giving White Paper, released today, largely repeats the substantive announcements made in the recent March Budget, including the new giving incentive for legacy donations of 10% of one's net estate to charity, and a consultation on possible tax relief for gifts of art. [Click here to read our recent Budget commentary.](#)

### New incentives to give

It is encouraging to see the Government take on board the fact that donors do not give to save tax but do want their giving to be tax-efficient to maximise the impact they can achieve. We and others who advise donors have pressed this point to Government time and again and are gratified to see it being acknowledged so we can move away from the cynical attitude that sees tax relief on donations as a 'reward' to the donor (who has in fact parted with her or his money in the end). Imparting this message effectively to the public will be an important challenge in fostering UK giving.

The actual giving incentives announced in the White Paper are not news – the Budget 2011 announced 10% Inheritance Tax break for those giving 10% or more of their net estate to charity as well as a consultation on reliefs for gifts of works of art. Both consultations are expected to take place in the coming months with that in relation to Inheritance Tax expected to be published on 31 May 2011, with legislation to be included in the Finance Bill 2012.

### Foundation Giving

One area of concern arising out of the Giving Green paper was the possibility that the Government might impose a minimum annual expenditure requirement of the sort that is imposed on US private foundations, where charities are not subject to specialist regulatory supervision as UK charities are. We consider that a minimum payout requirement would have been wholly inappropriate to the UK's legal and regulatory landscape, and would have been a short-term solution to an immediate cash need with potential adverse long-term consequences.

It is clear from the White Paper that responses to the consultation on this point were critical of a minimum payout requirement and confirmation that none will be imposed at this stage is most welcome.

### Philanthropy Advice

We are delighted to see the Government recognising that high-value giving is an important element to any attempt to encourage UK giving culture – ATM giving and other micro-giving initiatives are exciting and innovative, but any strategy to increase giving needs to attend as well to high-value gifts and the needs of philanthropists. The government will be supporting philanthropy advice through funding to develop the Philanthropy UK website and through encouraging UK banks to develop their in-house philanthropy advice offering.

From our experience in the US and the UK, if the Government wishes to encourage private banks' involvement in philanthropy, they will have to work with HMRC and the Charity Commission to support the acceptance of banks' in-house donor advised funds as well as encouraging the development of their philanthropy advice offerings.

Community Foundations are a key element in the UK's giving marketplace and Government support of a national roll-out of philanthropy advice resources via the Community Foundation Network should be applauded.

### Corporate Philanthropy

Part of the Philanthropy Strategy announced in December 2010 was to designate 2011 as the 'year of corporate philanthropy'. Although the year is nearly halfway through, fostering corporate giving seems to have dropped off the radar. The White Paper gives us some hints as to the Government's thinking on encouraging businesses to give however, and we would be interested to see whether the idea of a business philanthropy 'kitemark', to acknowledge businesses that give and engage with their communities, is taken forward.

### ATM giving

The White Paper announces that UK banks and building societies and ATM operators have agreed to work together to enable charitable giving at UK cash machines.

While any step to facilitate giving should certainly be taken forward by Government, we suspect that these systems will tend to favour large, household name charities. ATM giving may facilitate the mass market donation of small amounts (which may well be limited for security reasons as the White Paper recognises). It may however be largely irrelevant for those who have large sums to give and who are looking to make their own impact rather than to donate to established charities.

We will be looking in coming months at any further information about how the initiatives to cut red tape will interact with this new giving mechanism and in particular if donors will be able to make the necessary Gift Aid declaration at the ATM. We are disappointed that rather than addressing the technical issues required to enable this mechanism to be brought within the Gift Aid system proper, the Government instead proposes to 'explore opportunities to apply the new Gift Aid small donations scheme to tech-enabled donations'. By definition, donors would be easily identifiable when donating via an ATM or SMS so these donations could be brought within the Gift Aid scheme if a technological solution can be found to allow ATM or SMS Gift Aid declarations to be generated by the recipient charity and confirmed, perhaps in the same way as oral declarations currently are.

## Workplace Giving

The lack of up-take of payroll giving in the UK is unfortunate and the Government is right to try to stimulate it. While a Government commitment to encourage more businesses to launch these schemes is to be applauded, we suspect it will take more than a profile raising campaign to achieve a step-change from employer businesses.

## Promoting giving culture amongst the young

We are encouraged to see the Government grasping the need to start early with building a giving and volunteering culture by implementing and supporting programmes for school-aged children. This could link in with financial education schemes (not covered by the White Paper) that are being discussed and promoted by Government. The White Paper announces matched funding within the Social Action Fund to fund in-school initiatives to educate young people about giving. Programmes of this nature, and the National Citizen Service, are vital if the Government hopes to encourage giving and volunteering amongst future generations.

## Gift Aid

The substance of Gift Aid reform was announced with the Chancellor's March Budget and there is not much that is new in the White Paper. The White Paper sets out again changes to permit charities to file Gift Aid forms online, which will be welcome (and are, in our view, long overdue). We applaud the decision to raise the cap on the maximum Gift Aid donor benefit so that the benefit allowable to donors giving up to £50,000 is in the same proportion as that currently available to those giving less than £10,000. The small scale Gift Aid-style relief previously announced will also benefit certain charities, particularly those who collect small donations via a collection tin.

## Lifetime Legacies

The Government has yet to announce a consultation on the introduction of a tax efficient means of giving to charity through lifetime legacies. This term has been used in recent years to refer to 'split-interest' charitable remainder trusts (CRT), essentially a means of making an irrevocable lifetime gift to charity where a capital gift is deferred for a period of time, during which time the income arising on it may be enjoyed by the donor or other beneficiary. There is currently a UK tax disincentive for making a gift in this fashion and we are disappointed that the *Giving White Paper* did not address this.

CRTs have been a mainstay of giving in the US for many and are frequently used by donors who may wish to gift an appreciated asset to charity but may have some need of income for a specific period.

The UK will struggle in the current austerity climate to encourage the 'mass affluent' to help build up substantial US-style endowments. Lifetime Legacies (CRTs) have been considered to have been instrumental in enabling US institutions to build endowments and we consider that the Government should look closely at the success of these mechanisms in the US if it wishes to see similar endowments built up here.

## Looking ahead

If the past year has been a busy one, the coming months are set to continue in this vein with consultations on giving incentives and preparations for the Government's autumn *Giving Summit*, also announced in the White Paper. As funding cuts start to affect donors and charities, we can only hope that initiatives to foster UK giving are quickly and effectively implemented.

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