

LEEDS COMMUNITY FOUNDATION

A GUIDE TO PAYROLL GIVING

WHAT IS PAYROLL GIVING?

Payroll Giving is a simple way for an employee to give to any UK charity. The donation is made straight from their gross pay, before any tax is deducted, and they immediately gain the tax relief on their donations.

Contributions can be made as a one-off gift or on a regular basis and deductions can be taken weekly or monthly, depending on how often they are paid.

BENEFITS

For Employees. It is simple. Once an individual has decided how to support and how much to give, the payments are deducted, automatically, from their pay. This means that: they gain tax relief, straight away, at their highest rate of tax; less tax is taken from their pay; and they do not need to wait until the tax year end to claim any relief. If they are a higher rate tax-payer, it costs even less as the examples below demonstrate. It also costs them less to make a donation, in terms of both time and money – no cheque to write, no stamp to buy, no direct debit or standing order to complete. Individuals can choose to support one or more charities and can decide exactly how much they want to give – there is no upper or lower limit.

Supporter's monthly pledge to Foundation	Cost to supporter @ 22% tax	Cost to supporter @ 40% tax
£5.00	£3.90	£3.00
£10.00	£7.80	£6.00
£25.00	£19.50	£15.00

For charities. A major advantage of Payroll Giving for a charity is that they can receive a regular source of income and can make contact with a range of individuals with an interest in supporting their work. Once an individual has authorised an initial donation, it is likely that they will continue their support for several years to come. Even small monthly donations mount up over time and payroll donors may go on to support the Foundation in other ways. The charity benefits by receiving a regular source of income with little, if any, paperwork.

For employers. Payroll Giving is simple and inexpensive to set up and run with minimal costs or administrative resource. It provides an ideal way for businesses to illustrate their commitment to the causes that are close to the hearts of their employees. Recent research (2004) of UK businesses showed that 96% thought it was something a “good” employer should offer. It has many tangible benefits: it can improve a company's public image; enhance their community involvement programmes; boost staff morale; and help with employee recruitment and retention.

HOW DOES IT WORK?

Employers have to sign up with an approved Payroll Giving Agency (PGA) who will administer the scheme on their behalf. The employer calculates how much all their employees have donated and sends this, in one sum, to their contracted Payroll Giving Agency. This is usually done at the same time as they send the PAYE tax to the Inland Revenue.

The Agency then does the rest, ensuring that the donations reach the chosen charities as quickly as possible and within an agreed timescale.

Agencies are permitted to make a charge for their services, which is typically 25p a donor or no more than 4% of the donations. Employers may choose to pay this directly, thus ensuring that more of the contributions made by their employees benefit the charities directly.

WHAT DO I DO, AS AN EMPLOYEE?

Ask your employers if they already operate a scheme.

If they do then ask for the appropriate paperwork, decide how much you want to give and nominate the Leeds Community Foundation as your beneficiary. Your employer should be able to provide further advice.

If they don't already operate a scheme, ask some of your work colleagues if they would be interested in donating in this way and then encourage your employers to set a scheme up. Further guidance is given below and, if they have fewer than 500 employees, they may even be able to qualify for a grant to establish a new scheme.

Further information for individuals:

- Payroll Giving donations do not attract any relief from employers' National Insurance Contributions. The authorised donations are deducted from pay after National Insurance has been calculated but before income tax is calculated under PAYE.
- Although Payroll Giving is designed for regular donations from pay, one-off donations can also be made. For example, an employee can make a donation out of their annual bonus.
- Some pensioners may be able to authorise a donation out of their pension from a former employer. As long as PAYE tax is deducted from their pension and their former employer runs a Payroll Giving scheme, it should be possible. Payroll Giving donations cannot, however, be made from the state pension.
- There is no limit on the amount of money that can be donated and a donation may be expressed as a percentage of pay. The authorisation can be changed or cancelled at any time. An employee simply needs to tell their employer (usually the payroll department) that they wish to make a change.

WHAT DO I DO, AS A COMPANY?

If you already operate a Payroll Giving scheme, just add the Leeds Community Foundation to your list of charities that you offer to staff. We are happy to provide further information and/or to come and give a presentation on our work. Please contact us for further information.

If you don't already operate a scheme, set one up today. A number of easy to follow guides have been produced and a website has been set up to help answer any questions that you might have – www.payrollgivinggrants.org.

From January 2005 the Home Office has introduced a new Payroll Giving Grants Programme with grants of up to £500 for small and medium-sized enterprises (SME's) who set up a Payroll Giving scheme. The government will also match the first £10 of each employee's monthly donations, pound for pound, for a period of six months. That could result in an extra £60 being donated to the Leeds Community Foundation for every employee who is donating £10 a month to us. If a SME has set up a scheme since April 2004 they, too, might be eligible for a grant. There is a total of £8.3 million available, from the government, for this scheme.

To qualify for the grant you must have less than 500 employees and must sign up to a Payroll Giving scheme before the end of December 2006. The size of grant is tiered according to the number of employees:

1-199 employees	£300
200-249 employees	£400
250-499 employees	£500

You can choose to keep this grant to cover your set-up costs or you could choose to donate all or part of it to the Community Foundation.

To set up a scheme all that you need to do is contact one of the 9 approved Payroll Giving Agencies (full details of which can be found on the website www.payrollgivinggrants.org). They will provide companies with a grant application form to send in and this grant will be triggered once your employees' donations have started.

If you want to launch the scheme on a larger scale, there are a number of Professional Fundraising Organisations (PFO) who can come and work, with you, to promote the scheme to your employees. These details are also available via the Payroll Giving website.

Any employer who does set up a scheme will become eligible for a Payroll Giving Quality Mark which they can use on internal promotional materials. These are graded Bronze, Silver and Gold, depending on the percentage of employees signing up to the scheme.